Taiwan Cooperative Financial Holding Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 2018 and 2017 and Independent Auditors' Review Report

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Stockholders
Taiwan Cooperative Financial Holding Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Taiwan Cooperative Financial Holding Co., Ltd. (TCFHC) and its subsidiaries (collectively, the Company), as of March 31, 2018 and 2017 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2018 and 2017, and related notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2018 and 2017, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Li-Chi Chen and Cheng-Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 28, 2018

<u>*Notice to Readers*</u>

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' review report and consolidated financial statements shall prevail.

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	March 31, 2018 (Reviewed)		December 31, 2017 (Audited)		March 31, 2017 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	$ 44,188,889	1	$ 64,849,640	2	$ 53,276,791	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 4, 7, 41 and 42)	244,796,211	7	269,695,830	8	281,613,132	9
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	74,985,547	2	53,150,130	2	55,763,349	2
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 4, 9 and 42)	-	-	203,319,458	6	188,279,882	6
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 10 and 42)	293,375,120	9	-	-	-	-
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 11 and 42)	516,084,226	15	-	-	-	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Note 12)	752,867	-	1,580,366	-	1,447,120	-
RECEIVABLES, NET (Notes 4, 13 and 41)	34,865,221	1	34,360,303	1	29,146,250	1
CURRENT TAX ASSETS	1,296,519	-	1,350,922	-	1,275,672	-
DISCOUNTS AND LOANS, NET (Notes 4, 14, 41 and 42)	2,060,465,753	60	2,002,883,548	59	1,933,064,654	58
REINSURANCE ASSETS, NET	141,988	-	129,358	-	15,384	-
HELD-TO-MATURITY FINANCIAL ASSETS (Notes 4, 15 and 42)	-	-	516,191,151	15	509,683,851	15
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Note 16)	127,574	-	124,346	-	124,142	-
OTHER FINANCIAL ASSETS, NET (Notes 4, 17, 31 and 42)	120,472,627	4	213,472,900	6	203,605,161	6
INVESTMENT PROPERTIES, NET (Note 18)	8,428,821	-	8,426,704	-	3,918,200	-
PROPERTIES AND EQUIPMENT, NET (Note 19)	34,385,814	1	34,096,069	1	38,057,014	1
INTANGIBLE ASSETS (Note 20)	3,548,948	-	3,588,490	-	3,585,973	-
DEFERRED TAX ASSETS (Notes 4 and 38)	2,547,015	-	1,601,639	-	1,696,193	-
OTHER ASSETS, NET (Note 21)	3,037,608	-	2,718,701	-	5,761,573	-
TOTAL	$ 3,443,500,748	100	$ 3,411,539,555	100	$ 3,310,314,341	100
LIABILITIES AND EQUITY						
DUE TO THE CENTRAL BANK AND OTHER BANKS (Notes 22 and 41)	$ 265,230,665	8	$ 227,797,431	7	$ 240,228,723	7
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 27 and 41)	15,805,377	-	14,571,524	-	17,268,076	1
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 8, 9, 10, 12, 15, 23 and 41)	52,697,130	2	42,299,838	1	45,337,608	1
COMMERCIAL PAPER ISSUED, NET (Note 24)	25,832,493	1	25,657,429	1	18,251,111	1
PAYABLES (Notes 25 and 41)	43,652,496	1	51,332,672	2	46,942,255	1
CURRENT TAX LIABILITIES	2,220,295	-	1,298,351	-	1,196,890	-
DEPOSITS AND REMITTANCES (Notes 26 and 41)	2,609,796,446	76	2,623,540,576	77	2,514,014,062	76
BONDS PAYABLE (Note 27)	64,610,000	2	64,610,000	2	74,610,000	2
OTHER BORROWINGS (Notes 24 and 28)	1,401,663	-	800,027	-	1,332,666	-
PROVISIONS (Notes 4, 29 and 30)	50,496,641	1	50,464,495	1	50,865,748	2
OTHER FINANCIAL LIABILITIES (Note 31)	96,466,970	3	99,045,141	3	93,104,458	3
DEFERRED TAX LIABILITIES (Notes 4, 19 and 38)	3,093,213	-	3,033,870	-	2,999,330	-
OTHER LIABILITIES (Note 32)	1,812,378	-	1,591,905	-	1,926,144	-
Total liabilities	3,233,115,767	94	3,206,043,259	94	3,108,077,071	94
EQUITY ATTRIBUTABLE TO OWNERS OF TCFHC						
Capital stock						
Common stock	122,027,036	3	122,027,036	3	118,472,850	3
Capital surplus	57,964,343	2	57,964,343	2	57,964,343	2
Retained earnings						
Legal reserve	5,019,668	-	5,019,668	-	3,643,188	-
Special reserve	996,026	-	996,026	-	996,026	-
Unappropriated earnings	17,722,768	1	14,377,752	1	17,603,003	1
Total retained earnings	23,738,462	1	20,393,446	1	22,242,217	1
Other equity	2,351,617	-	767,215	-	(378,146)	-
Total equity attributable to owners of TCFHC	206,081,458	6	201,152,040	6	198,301,264	6
NON-CONTROLLING INTERESTS	4,303,523	-	4,344,256	-	3,936,006	-
Total equity	210,384,981	6	205,496,296	6	202,237,270	6
TOTAL	$ 3,443,500,748	100	$ 3,411,539,555	100	$ 3,310,314,341	100

The accompanying notes are an integral part of the consolidated financial statements.

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2018		2017	
	Amount	%	Amount	%
INTEREST REVENUE (Notes 4, 33 and 41)	$ 13,806,239	112	$ 12,902,637	118
INTEREST EXPENSE (Notes 4, 33 and 41)	(5,074,161)	(41)	(4,580,968)	(42)
NET INTEREST	8,732,078	71	8,321,669	76
NET REVENUES AND GAINS OTHER THAN INTEREST				
Service fee and commission income, net (Notes 34 and 41)	1,600,824	13	1,395,929	13
Premium income, net (Notes 31 and 35)	253,133	2	636,679	6
Gains (losses) on financial assets and liabilities at fair value through profit or loss (Notes 4, 36 and 41)	509,077	4	(1,061,694)	(10)
Realized gains on available-for-sale financial assets (Note 4)	-	-	205,451	2
Realized gains on financial assets at fair value through other comprehensive income (Note 4)	374,314	3	-	-
Foreign exchange gains, net	840,891	7	1,446,565	13
Reversal of impairment losses on assets (Notes 4 and 15)	299	-	8,097	-
Share of gains of associates and joint ventures accounted for using the equity method (Notes 4 and 16)	2,712	-	2,669	-
Gain or loss on reclassification of overlay approach (Note 4)	(7,906)	-	-	-
Other noninterest gains, net (Note 41)	(8,942)	-	(32,270)	-
Total net revenues and gains other than interest	3,564,402	29	2,601,426	24
TOTAL NET REVENUES	12,296,480	100	10,923,095	100
BAD-DEBT EXPENSES AND PROVISION FOR LOSSES ON COMMITMENT AND GUARANTEES (Notes 4 and 14)	(1,595,444)	(13)	(713,784)	(7)
NET CHANGE IN RESERVES FOR INSURANCE LIABILITIES (Notes 4 and 29)	(76,213)	(1)	(535,053)	(5)

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TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2018		2017	
	Amount	**%**	**Amount**	**%**
OPERATING EXPENSES (Notes 4, 19, 30 and 37)				
Employee benefits	$ (4,022,091)	(32)	$ (3,857,630)	(35)
Depreciation and amortization	(339,759)	(3)	(279,468)	(2)
General and administrative	(1,712,382)	(14)	(1,590,921)	(15)
Total operating expenses	(6,074,232)	(49)	(5,728,019)	(52)
INCOME BEFORE INCOME TAX	4,550,591	37	3,946,239	36
INCOME TAX EXPENSE (Notes 4 and 38)	(707,932)	(6)	(450,878)	(4)
NET INCOME	3,842,659	31	3,495,361	32
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss (Note 4)				
Change in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	12,543	-	(1,113)	-
Unrealized gains on investments in equity instruments at fair value through other comprehensive income	647,521	5	-	-
Items that will not be reclassified subsequently to profit or loss, net of income tax	660,064	5	(1,113)	-
Items that may be reclassified subsequently to profit or loss (Notes 4, 16 and 38)				
Exchange differences on the translation of financial statements of foreign operations	(591,089)	(5)	(719,958)	(7)
Unrealized gains on available-for-sale financial assets	-	-	885,418	8
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	516	-	92	-
Unrealized losses on investments in debt instruments at fair value through other comprehensive income	(1,885,031)	(15)	-	-

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TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2018		2017	
	Amount	%	Amount	%
Other comprehensive income on reclassification of overlay approach	$ 7,906	-	$ -	-
Income tax attributable to other comprehensive income	240,318	2	96,609	1
Items that may be reclassified subsequently to profit or loss, net of income tax	(2,227,380)	(18)	262,161	2
Other comprehensive income (losses) , net of income tax	(1,567,316)	(13)	261,048	2
TOTAL COMPREHENSIVE INCOME	$ 2,275,343	18	$ 3,756,409	34
NET INCOME ATTRIBUTABLE TO:				
Owners of TCFHC	$ 3,713,385	30	$ 3,377,256	31
Non-controlling interests	129,274	1	118,105	1
	$ 3,842,659	31	$ 3,495,361	32
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of TCFHC	$ 2,400,254	19	$ 3,623,266	33
Non-controlling interests	(124,911)	(1)	133,143	1
	$ 2,275,343	18	$ 3,756,409	34
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 39)				
Basic	$0.30		$0.28	
Diluted	$0.30		$0.28	

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Owners of TCFHC												
							Other Equity						
	Capital Stock (Note 40)			Retained Earnings (Note 40)									
	Shares (In Thousands)	Common Stock	Capital Surplus (Note 40)	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income (Note 10)	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value Through Profit or Loss	Other Comprehensive Income on Reclassification of Overlay Approach	Non-controlling Interests (Note 40)	Total Equity
BALANCE, JANUARY 1, 2018	12,202,704	$ 122,027,036	$ 57,964,343	$ 5,019,668	$ 996,026	$ 14,377,752	$ (1,177,934)	$ -	$ 1,942,735	$ 2,414	$ -	$ 4,344,256	$ 205,496,296
Effect of retrospective application	-	-	-	-	-	(374,852)	-	4,663,892	(1,942,735)	-	182,859	84,178	2,613,342
BALANCE AT JANUARY 1, 2018 AS RESTATED	12,202,704	122,027,036	57,964,343	5,019,668	996,026	14,002,900	(1,177,934)	4,663,892	-	2,414	182,859	4,428,434	208,109,638
Gains on disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	6,483	-	(6,483)	-	-	-	-	-
Total comprehensive income													
Net income for the three months ended March 31, 2018	-	-	-	-	-	3,713,385	-	-	-	-	-	129,274	3,842,659
Other comprehensive income for the three months ended March 31, 2018	-	-	-	-	-	-	(453,015)	(877,932)	-	12,543	5,273	(254,185)	(1,567,316)
Total comprehensive income for the three months ended March 31, 2018	-	-	-	-	-	3,713,385	(453,015)	(877,932)	-	12,543	5,273	(124,911)	2,275,343
BALANCE, MARCH 31, 2018	12,202,704	$ 122,027,036	$ 57,964,343	$ 5,019,668	$ 996,026	$ 17,722,768	$ (1,630,949)	$ 3,779,477	$ -	$ 14,957	$ 188,132	$ 4,303,523	$ 210,384,981
BALANCE, JANUARY 1, 2017	11,847,285	$ 118,472,850	$ 57,964,343	$ 3,643,188	$ 996,026	$ 14,225,747	$ (9,285)	$ -	$ (649,369)	$ 34,498	$ -	$ 3,802,863	$ 198,480,861
Total comprehensive income													
Net income for the three months ended March 31, 2017	-	-	-	-	-	3,377,256	-	-	-	-	-	118,105	3,495,361
Other comprehensive income for the three months ended March 31, 2017	-	-	-	-	-	-	(590,234)	-	837,357	(1,113)	-	15,038	261,048
Total comprehensive income for the three months ended March 31, 2017	-	-	-	-	-	3,377,256	(590,234)	-	837,357	(1,113)	-	133,143	3,756,409
BALANCE, MARCH 31, 2017	11,847,285	$ 118,472,850	$ 57,964,343	$ 3,643,188	$ 996,026	$ 17,603,003	$ (599,519)	$ -	$ 187,988	$ 33,385	$ -	$ 3,936,006	$ 202,237,270

The accompanying notes are an integral part of the consolidated financial statements.

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 4,550,591	$ 3,946,239
Adjustments for:		
Depreciation expenses	295,701	232,360
Amortization expenses	44,058	47,108
Bad-debt expenses	1,575,621	574,710
Losses (gains) on financial assets and liabilities at fair value through profit or loss	(509,077)	1,061,694
Interest expense	5,074,161	4,580,968
Interest revenue	(13,806,239)	(12,902,637)
Dividend income	-	(46,958)
Net changes in reserves for insurance liabilities	(2,931)	394,974
Provision reversal of provision for losses on guarantees	(34,887)	139,074
Other provisions	54,710	-
Share of gains of associates and joint ventures accounted for using equity method	(2,712)	(2,669)
Losses on reclassification of overlay approach	7,906	-
Losses on disposal of properties and equipment	418	654
Gains on disposal of investments	(374,314)	(158,493)
Impairment losses on financial assets	7,145	-
Reversal of impairment losses on financial assets	(7,444)	(8,097)
Unrealized losses on foreign exchange	300,662	1,216,356
Gains on disposal of collaterals assumed	-	(808)
Net changes in operating assets and liabilities		
Decrease in due from the Central Bank and call loans to other banks	1,539,896	11,797,048
Decrease (increase) in financial assets at fair value through profit or loss	(7,998,695)	3,810,287
Increase in financial assets at fair value through other comprehensive income	(984,173)	-
Decrease in investments in debt instruments at amortized cost	1,077,108	-
Increase in available-for-sale financial assets	-	(11,288,466)
Decrease in receivables	1,825,578	183,902
Decrease (increase) in discounts and loans	(59,065,248)	33,342,581
Increase in reinsurance assets	(8,702)	(7,621)
Decrease in held-to-maturity financial assets	-	2,659,601
Increase in other financial assets	(5,468,971)	(4,656,408)
Increase in other assets	(316,923)	(3,037,413)
Increase in due to the Central Bank and other banks	37,433,234	6,193,538
Decrease in financial liabilities at fair value through profit or loss	(1,453,314)	(3,305,032)
Increase in securities sold under repurchase agreements	10,397,292	1,198,193
Decrease in payables	(11,413,161)	(5,713,806)

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TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2018	**2017**
Decrease in deposits and remittances	$ (13,744,130)	$ (48,573,714)
Decrease in provision for employee benefits	(148,033)	(1,718)
Increase (decrease) in other financial liabilities	(937,796)	1,764,049
Increase (decrease) in other liabilities	170,367	(127,539)
Cash used in operations	(51,922,302)	(16,688,043)
Interest received	14,899,855	13,382,633
Dividends received	49,819	49,157
Interest paid	(4,408,948)	(4,032,453)
Income tax paid	(297,612)	(265,768)
Net cash used in operating activities	(41,679,188)	(7,554,474)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of properties and equipment	(589,578)	(253,540)
Increase in refundable deposits	(106,368)	(27,606)
Decrease in refundable deposits	104,252	-
Acquisition of intangible assets	(20,332)	(6,576)
Proceeds of the disposal of collaterals assumed	-	3,070
Increase in other assets	(14,467)	(6,909)
Decrease in other assets	-	4,495
Net cash used in investing activities	(626,493)	(287,066)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in commercial paper issued	180,000	1,733,000
Increase in other borrowings	5,013,907	62,883,812
Decrease in other borrowings	(4,422,282)	(62,865,324)
Increase in guarantee deposits received	483,003	533,073
Decrease in guarantee deposits received	(739,144)	-
Increase in other liabilities	37,477	7,272
Net cash generated by financing activities	552,961	2,291,833
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,004,747	2,025,755
NET DECREASE IN CASH AND CASH EQUIVALENTS	(40,747,973)	(3,523,952)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	106,195,547	119,263,205
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	$ 65,447,574	$ 115,739,253

(Continued)

Cash and cash equivalents reconciliations:

	March 31	
	2018	**2017**
Cash and cash equivalents in consolidated balance sheets	$ 44,188,889	$ 53,276,791
Due from the Central Bank and call loans to other banks in accordance with the definition of cash and cash equivalents under IAS 7 “Statement of Cash Flows”	20,505,818	60,498,882
Securities purchased under resell agreements in accordance with the definition of cash and cash equivalents under IAS 7 “Statement of Cash Flows”	752,867	1,447,120
Other items in accordance with the definition of cash and cash equivalents under IAS 7 “Statement of Cash Flows”	-	516,460
Cash and cash equivalents, end of period	$ 65,447,574	$ 115,739,253

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

Taiwan Cooperative Financial Holding Co., Ltd. (TCFHC) was established by Taiwan Cooperative Bank, Ltd. (TCB), Taiwan Cooperative Bills Finance Corporation Ltd. (TCBF) and Co-operative Assets Management Co., Ltd. (CAM) through a share swap on December 1, 2011 under the Financial Holding Companies Act and related regulations in the Republic of China (ROC). The TCFHC's shares have been listed on the Taiwan Stock Exchange (TSE) since December 1, 2011. After the share swap, TCB, TCBF and CAM became wholly owned subsidiaries of TCFHC.

TCFHC invests in and manages financial institutions.

TCB engages in (a) all commercial banking operations allowed under the Banking Law; (b) international banking operations; (c) overseas branch operations as authorized by the respective foreign governments; and (d) other operations as authorized by the central authority-in-charge. TCB has its Head Office in Taipei. It had a Business, International Banking, Finance, Credit Card, Trust and Insurance Agent Departments as well as 269 domestic branches, an offshore banking unit (OBU), 12 overseas branches and 2 representative office as of March 31, 2018.

The operations of TCB's Trust Department are (1) planning, managing and operating the trust business and (2) custodianship of nondiscretionary trust funds in domestic and overseas securities and mutual funds. These operations are regulated under the Banking Law and Trust Law of the ROC.

TCB merged with the Farmers Bank of China (FBC) on May 1, 2006, with TCB as the survivor entity.

On December 2, 2011, TCB spun off its Security Department for the establishment of Taiwan Cooperative Securities Co., Ltd. (TCS). TCS issued new common shares to TCFHC and became its 100% subsidiary. TCS primarily (a) brokers securities; (b) deals securities; (c) underwrites securities; (d) provides pecuniary and securities financing facilities for the trading of listed securities; (e) trading of futures introducing broker business; (f) futures proprietary trading business; (g) does other business as approved by the authorities.

TCBF, established on May 13, 1998, has a head office in Taipei and a branch in Kaohsiung. TCBF engages in (a) brokering and dealing short-term bills; (b) underwriting commercial paper; (c) acting as registrar of commercial paper; (d) providing guarantees on or endorsements of commercial paper and bank acceptance; (e) brokering call loans between financial institutions; (f) providing consulting services on corporate financial matters; (g) brokering and dealing government bonds; (h) underwriting, brokering and dealing bank debentures; (i) dealing corporate bonds; (j) investment related equity instruments; (k) other operations approved by the authorities.

CAM was established on October 18, 2005; its main businesses are the purchase, appraisal, auction and management of financial institutions' creditors' rights as well as the purchase of accounts receivable and management of overdue receivables. To enhance capital allocation and increase the benefits of capital use, the board of directors of CAM decided to merge CAM and its subsidiary, Cooperative I Asset Management Co., Ltd. The effective date of the merger was December 1, 2014. In this merger, CAM was the survivor entity.

Cooperative Insurance Brokers Co., Ltd. (CIB) was established on November 25, 2005; it engages in life and property insurance brokering. In order to integrate resources and enhance operating effectiveness, the board of directors of TCB and CIB decided to merge TCB with CIB. The effective date of the merger was June 24, 2016. In this merger, TCB was the survivor entity.

TCB set up the United Taiwan Bank S.A. (UTB) in Belgium through raising funds with Bank of Taiwan, Land Bank of Taiwan and Taiwan Business Bank. UTB started its operation on December 23, 1992; it is TCB's subsidiary and its main business is in general deposits and loans.

For organizational restructuring purpose, TCB's board of directors resolved to reduce TCB's capital of $1,524,390 thousand and transferred TCB's long-term equity investments in BNP Paribas Cardif TCB Life Insurance Co., Ltd. (BPCTLI) and Taiwan Cooperative Securities Investment Trust Co., Ltd. (TCSIT) to TCFHC on December 1, 2011. The effective date of the capital reduction was set on April 3, 2012. After this capital reduction, BPCTLI and TCSIT both became 51% subsidiaries of TCFHC. On April 21, 2014, TCFHC acquired 49% of long-term equity investments in TCSIT for $151,704 thousand. After this acquisition, TCSIT became a 100% subsidiary of TCFHC.

The business of BPCTLI was approved in March 2010. BPCTLI provides insurance: Life, personal injury, health, annuity and investment-linked products.

The business of TCSIT was approved in April 2011. TCSIT engages in the (a) securities investment trust business; (b) discretionary investment business; (c) securities investment consulting business and (d) other businesses as approved by the authorities.

Taiwan Cooperative Venture Capital Co., Ltd. (TCVC) was established on October 1, 2015. TCVC engages in (a) venture capital investments; (b) consulting; and (c) investment consulting.

As of March 31, 2018 and 2017, TCFHC and its subsidiaries (the Company) had 8,996 and 9,031 employees, respectively.

The operating units of the Company maintain their accounts in their respective functional currencies. The consolidated financial statements are presented in New Taiwan dollars.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by TCFHC's board of directors on May 28, 2018.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Effects of initial application of the amended Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the above New IFRSs in 2018 and related amendments to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, and Regulations Governing the Preparation of Financial Reports by Insurance Enterprises did not have any material impact on the Company's accounting policies:

IFRS 9 "Financial Instruments" and related amendment

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as at January 1, 2018, the Company has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods. As of January 1, 2018, the changes of the measurement types and book values determined by IAS 39 and IFRS 9 for each category of financial assets are summarized as follows:

	IAS 39		IFRS 9	
Financial Assets	**Measurement Category**	**Carrying Amount**	**Measurement Category**	**Carrying Amount**
Cash and cash equivalents	Amortized cost	$ 64,849,640	Amortized cost	$ 64,849,640
Due from the Central Bank and call loans to other banks	Amortized cost (loans and receivables)	269,695,830	Amortized cost	265,595,830
			Fair value through profit or loss	4,100,000
Financial assets at fair value through profit or loss	Fair value through profit or loss	52,998,895	Fair value through profit or loss	52,998,895
	Designated at fair value through profit or loss	151,235	Designated at fair value through profit or loss	151,235
Available-for-sale financial assets, net	Fair value through other comprehensive income	203,319,458	Fair value through profit or loss	5,796,071
			Fair value through other comprehensive income	193,867,519
			Amortized cost	3,576,817
Securities purchased under resell agreements	Amortized cost	1,580,366	Amortized cost	1,580,366

(Continued)

Financial Assets	IAS 39 Measurement Category	IAS 39 Carrying Amount	IFRS 9 Measurement Category	IFRS 9 Carrying Amount
Receivables, net	Amortized cost (loans and receivables)	$ 34,360,303	Amortized cost	$ 33,560,535
			Fair value through profit or loss	775,508
Discounts and loans, net	Amortized cost (loans and receivables)	2,002,883,548	Amortized cost	2,002,889,005
Held-to-maturity financial assets, net	Amortized cost	516,191,151	Amortized cost	500,245,843
			Fair value through other comprehensive income	16,194,737
Other financial assets, net	Financial assets measured at cost	4,279,439	Fair value through profit or loss	161,676
			Fair value through other comprehensive income	5,521,356
	Amortized cost (debt investments with no active market)	92,388,831	Amortized cost	14,031,563
			Fair value through other comprehensive income	79,609,857
	Amortized cost (due from banks)	21,313,136	Fair value through profit or loss	400,000
			Amortized cost	20,913,136
	Amortized cost (other financial assets, net)	95,491,494	Amortized cost	95,491,494
Others, net	Amortized cost (refundable deposits)	1,351,040	Amortized cost	1,351,040

(Concluded)

The reclassifications and remeasurements of the book value of Company's financial assets from IAS 39 measurement categories to IFRS 9 measurement categories as of January 1, 2018 were as follows:

Financial Assets	IAS 39 Carrying Amount as of December 31, 2017	Reclassifications	Remeasurements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Non-controlling Interests Effect on January 1, 2018	Remark
FVTPL	$ 53,150,130	$ -	$ -	$ 53,150,130	$ -	$ -	$ -	
Add: Reclassification and remeasurement from available-for-sale (IAS 39)	-	5,795,581	490	5,796,071	(68,306)	68,796	-	(1)
Add: Reclassification from due from the Central Bank and call loans to banks	-	4,100,000	-	4,100,000	-	-	-	(2)
Add: Reclassification from other financial assets - due from the banks	-	400,000	-	400,000	-	-	-	(2)
Add: Reclassification and remeasurement from financial assets measured at cost (IAS 39)	-	158,660	3,016	161,676	3,016	-	-	(3)
Changes of financial assets through FVTPL	53,150,130	10,454,241	3,506	63,607,877	(65,290)	68,796	-	
FVTOCI	-	-	-	-	-	-	-	
Debt instruments								
Add: Reclassification from available-for-sale (IAS 39)	-	189,492,506	-	189,492,506	(62,328)	62,328	-	(4)
Add: Reclassification and remeasurement from held-to-maturity financial assets, net (IAS 39)	-	15,913,871	280,865	16,194,736	(4,960)	285,825	-	(4)
Add: Reclassification and remeasurement from debt investments with no active market (IAS 39)	-	78,351,560	1,258,296	79,609,856	(24,814)	1,165,017	84,242	(4)
Equity instruments								
Add: Reclassification from available-for-sale (IAS 39)	-	4,375,013	-	4,375,013	-	-	--	(1)
Add: Reclassification and remeasurement from financial assets measured at cost (IAS 39)	-	4,120,779	1,400,579	5,521,358	-	1,400,579	--	(3)
Changes of financial assets through FVTOCI	-	292,253,729	2,939,740	295,193,469	(92,102)	2,913,749	84,242	-
Amortized cost	-	-	-	-	-	-	-	
Add: Reclassification and remeasurement from available-for-sale (IAS 39)	-	3,656,358	(79,541)	3,576,817	(1,012)	(78,529)	-	(5)
Add: Reclassification and remeasurement from held-to-maturity financial assets, net (IAS 39)	-	500,277,280	(31,437)	500,245,843	(31,437)	-	-	(6)
Add: Reclassification and remeasurement from debt investments with no active market (IAS 39)	-	14,037,271	(5,708)	14,031,563	(5,699)	-	(9)	(6)
Add: Reclassification from other financial assets - due from the bank	-	13,940	-	13,940	-	-	-	(7)
Changes of amortized cost	-	517,984,849	(116,686)	517,868,163	(38,148)	(78,529)	(9)	-
Reclassification and remeasurement of financial assets on January 1, 2018	$ 53,150,130	$ 820,692,819	$ 2,826,560	$ 876,669,509	$ (195,540)	$ 2,904,016	$ 84,233	

1) The stock investment classified as available-for-sale financial assets under IAS 39 was reclassified under IFRS 9 as measured at fair value through profit or loss and at fair value through other comprehensive income, hence the retained earnings on January 1, 2018 decreased by $47,672 thousand, and the other equity - unrealized losses on available-for-sale financial assets decreased by $48,162 thousand.

   The beneficial certificates originally classified under IAS 39 as available-for-sale financial asset that cash flow are not solely payment of principal amounts and interest on the outstanding principal amounts, and is not an equity instrument, hence, the financial asset was reclassified as at fair value through profit or loss under IFRS 9, and the other equity - unrealized losses on available-for-sale financial assets of $20,634 thousand, was reclassified to retained earnings.

   In addition, the Company selected the overlay approach (Note) and evaluated qualified financial assets classified at fair value based on stock investments that are all eligible for the overlay approach. The Company applies the overlay approach when applying IFRS 9 for the first time. Retained earnings are reclassified to other equity - other comprehensive income under the overlay approach.

   Note: The amendments to IFRS 4 allow contracts covered by IFRS 4 which issued by companies have applied IFRS 9 applying the overlay approach. Qualified financial assets subject to the applicable overlay approach are limited to IFRS 9 and are measured only at fair value through profit or loss as a whole, which are not measured in the same manner as IAS 39, and are not held for activities without relation of the IFRS 4 insurance contract. If an enterprise chooses to apply the overlay approach, it should clearly specify the eligible financial assets subject to the overlay approach when the company applies IFRS 9 for the first time. The subsequent acquisition of new assets will be specified at the time of initial recognition. The changes in the fair value of the designated qualifying financial assets shall be divided into two parts. The part that should be recognized by the applicable IAS 39 is stated in profit or loss, and the difference between the applicable IFRS 9 and the applicable IAS 39 is expressed in other comprehensive profit and loss. The amount reclassified from profit or loss to other comprehensive income should be stated separately in the comprehensive income statement and the relevant information should be disclosed in the notes.

2) The financial assets, which were originally classified as due from the Central Bank and call loans to banks, and other financial assets - negotiable certificates of deposit issued in the Central Bank of due from banks that measured at amortized cost, were evaluated according to the facts and circumstances existing on January 1, 2018 and found that the cash flow are not solely payment of principal amounts and interest on outstanding principal amounts. The Company classified the financial assets under IFRS 9 as at fair value through profit or loss.

3) The unlisted company stock investments originally measured by IAS 39 on a cost basis are classified according to IFRS 9 at fair value through profit or loss and at fair value through other comprehensive income. The classification under IFRS 9 increased financial assets measured at fair value through profit or loss and retained earnings on January 1, 2018 by $3,016 thousand, and increased financial assets measured at fair value through other comprehensive income and other equity - unrealized gains or losses on financial assets at fair value through other comprehensive income by $1,400,579 thousand.

4) Under IAS 39, financial assets classified as available for sale, financial assets classified as held-to-maturity and debt instruments with no active market were measured at amortized cost, were originally recognized that contractual cash flows are solely payment of principal amounts and interest on the outstanding principal amounts. The evaluation of the business model on the basis of the facts and circumstances existing on January 1, 2018 was aiming for holding financial assets to collect contractual cash flows and selling financial assets; therefore, the financial assets are classified as measured at fair value through other comprehensive income under IFRS 9 and assessed for expected credit losses (ECL). As a result of the retrospective application of IFRS 9, the remeasured amount of financial assets at fair value through other comprehensive income on January 1, 2018 increased by $1,539,161 thousand; retained earnings decreased by $92,102 thousand (including the income tax benefit of $840 thousand); other equity - unrealized gains or losses on financial assets at fair value through other comprehensive income increased by $1,513,170 thousand (including income tax loss of $18,104 thousand), and non-controlling interests increased by $84,242 thousand (including income tax loss of $16,587 thousand).

5) The bond investment originally classified as available-for-sale financial assets under IAS 39, was evaluated based on the facts and circumstances existing on January 1, 2018, and reclassified under IFRS 9 as measured at amortized cost and assessed for expected credit losses due to the business model of receiving the contractual cash flow that are solely payments of principal amounts and interest on the outstanding principal amounts. As a result of retrospective application, the amount of investment in debt instruments at amortized cost as of January 1, 2018 decreased by $79,541 thousand, retained earnings decreased by $1,012 thousand, and the other equity - unrealized gains or losses on available-for-sale financial assets decreased by $78,529 thousand.

6) The bond investments originally classified under IAS 39 as held-to-maturity financial assets and debt instruments with no active market were measured at amortized cost and the contractual cash flows were solely payment of principal amounts and interest on the outstanding principal amounts. The evaluation of the facts and circumstances existing on January 1, 2018 showed that the business model is to collect contractual cash flows; hence, according to IFRS 9, the bond investments are measured at amortized cost, and assessed for expected credit losses. As a result of retrospective application, the allowance for loss on debt instruments at amortized cost on January 1, 2018 increased by $37,145 thousand, retained earnings decreased by $37,136 thousand, and the non-controlling interests decreased by $9 thousand.

7) Financial assets originally classified as other financial assets - fixed deposits of due from banks were classified according to IFRS 9 at amortized cost and assessed for expected credit losses, due to the business model's objective of collecting contractual cash flows from payment of principal amounts and interest on the outstanding principal amounts.

The Company's financial assets that meet the requirements of IAS 39 were converted to IFRS 9 measurement on March 31, 2018, the fair value of the financial assets reclassified to amortized cost and the profit or loss of the financial assets if its were not reclassified were as follows:

Reclassified at Amortized Cost	March 31, 2018
Reclassified at amortized cost from available-for-sale (IAS 39)	$ 3,656,358
At fair value on March 31, 2018	3,631,442
Unrealized gains or losses at FVTOCI if the FVTOCI was not reclassified in the current year	(23,585)

Reconciliation of allowance for impairment upon initial application of IFRS 9

The reconciliation of the amount of allowance for impairment measured by Loss Model under IAS 39 with the amount of allowance for impairment measured by Expected Loss Model under IFRS 9, on January 1, 2018 is as follows:

Category of measurement	The Amount of Allowance for Impairment under IAS 39 and the Recognition under IAS 37	Reclassifications	Remea-surements	The Amount of Allowance for Impairment under IFRS 9
Loans and receivables (IAS 39)/ Financial assets at amortized cost (IFRS 9)				
Accounts receivable	$ 1,318,342	$ -	$ (595,691)	$ 722,651
Discounts and loans	8,409,360	-	668,711	9,078,071
Other financial assets	958,555	-	(80)	958,475
Impairment loss under regulations	16,902,450	-	(692,425)	16,210,025
	27,588,707	-	(619,485)	26,969,222
Available-for-sale financial assets (IAS 39)/Financial assets at FVTOCI (IFRS 9)				
Available-for-sale financial assets	-	-	69,078	69,078
Available-for-sale financial assets (IAS 39)/Financial assets at amortized cost (IFRS 9)				
Available-for-sale financial assets	-	-	1,012	1,012
	-	-	70,090	70,090
Held-to-maturity financial assets (IAS 39)/Financial assets at amortized cost (IFRS 9)				
Held-to-maturity financial assets	3,304	-	31,437	34,741
Held-to-maturity financial assets (IAS 39)/Financial assets at FVTOCI (IFRS 9)				
Held-to-maturity financial assets	-	-	4,960	4,960
	3,304	-	36,397	39,701
Debt investments with no active market (IAS 39)/Financial assets at FVTOCI (IFRS 9)				
Debt investments with no active market	-	-	27,103	27,103
Debt investments with no active market (IAS 39)/Financial assets at amortized cost (IFRS 9)				
Debt investments with no active market	-	-	5,708	5,708
	-	-	32,811	32,811
Loan commitments and guarantee commitments				
Loans (loan commitments)	-	-	134,336	134,336
Credit card (loan commitments)	-	-	4,834	4,834
Guarantee receivable	547,404	-	299,628	847,032
Letters of credit	-	-	17,001	17,001
Impairment loss under regulations	878,946	-	(295,213)	583,733
	1,426,350	-	160,586	1,586,936
Total	$ 29,018,361	$	$ (319,601)	$ 28,698,760

b. The Company has not yet applied new IFRSs announced by IASB but not yet endorsed and issued into effect by the FSC

New, Amended or Revised Standards and Interpretations (the New IFRSs)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 16 "Leases"	January 1, 2019 (Note 3)
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 4)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

Note 1: Unless stated otherwise, the above New, Amended or Revised IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Company is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Company may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to low-value and short-term leases. On the consolidated statements of comprehensive income, the Company should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Company as lessor.

When IFRS 16 becomes effective, the Company may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this standard recognized at the date of initial application.

2) IFRS 17 "Insurance Contracts"

IFRS 17 sets out the accounting standards for insurance contracts that will supersede IFRS 4. The main standards of IFRS 17 are as follows:

<u>Level of aggregation</u>

IFRS 17 requires the Company to identify portfolios of insurance contracts, which comprises contracts that are subject to similar risks and managed together. Contracts within a product line would be expected to have similar risks and hence would be expected to be in the same portfolio if they are managed together. Each portfolio of insurance contracts issued shall be divided into a minimum of:

a) A group of contracts that are onerous at initial recognition;

b) A group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently;

c) A group of the remaining contracts in the portfolio.

The Company is not permitted to include contracts issued more than one year apart in the same group.

<u>Recognition</u>

The Company shall recognize a group of insurance contracts it issues from the earliest of the following:

a) The beginning of the coverage period of the group of contracts;

b) The date when the first payment from a policyholder in the group becomes due; and

c) For a group of onerous contracts, when the group becomes onerous.

<u>Measurement</u>

The Company shall include all the future cash flows within the boundary of each contract in the group. The fulfilment cash flows comprises estimates of future cash flows, an adjustment to reflect the time value of money, and a risk adjustment for non-financial risk. The contractual service margin represents the unearned profit of the group of insurance contracts that the Company will recognize as it provides services in the future. This is measured on initial recognition of a group of insurance contracts at an amount that, unless the group of contracts is onerous, results in no income or expenses arising from:

a) The initial recognition of an amount for the fulfilment cash flows;

b) The derecognition at that date of any asset or liability recognized for insurance acquisition cash flows; and

c) Any cash flows arising from the contracts in the group at that date.

Subsequent measurement

On subsequent measurement, the carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises the fulfilment cash flows related to future services and the contractual service margin of the group at that date. On subsequent measurement, if a group of insurance contracts becomes onerous or more onerous, that excess shall be recognized in profit or loss.

Onerous contracts

An insurance contract is onerous at initial recognition if the total of the fulfilment cash flows, any previously recognized acquisition cash flows and any cash flows arising from the contract at that date is a net outflow. The Company shall recognize a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows and the contractual service margin of the group being zero. The contractual service margin cannot increase and no revenue can be recognized, until the onerous amount previously recognized has been reversed in profit or loss as part of a service expense.

Premium allocation approach

The Company may simplify the measurement of the liability for remaining coverage of a group of insurance contracts using the Premium Allocation Approach (PAA) on the condition that, at the inception of the group:

a) The Company reasonably expects that this will be a reasonable approximation of the general model, or

b) The coverage period of each contract in the group is one year or less.

At the inception of the group, if the Company expects significant variances in the fulfilment cash flows during the period before a claim is incurred, such contracts are not eligible to apply the PAA.

When using the PAA, the liability for remaining coverage shall be initially recognized as the premiums, if any, received at initial recognition, minus any insurance acquisition cash flows. Subsequently the carrying amount of the liability is the carrying amount at the start of the reporting period plus the premiums received in the period, minus insurance acquisition cash flows, plus amortization of acquisition cash flows, minus the amount recognized as insurance revenue for coverage provided in that period, and minus any investment component paid or transferred to the liability for incurred claims.

Investment contracts with discretionary participation features

An investment contract with discretionary participation features is a financial instrument and it does not include a transfer of significant insurance risk. It is in the scope of the standard only if the issuer also issues insurance contracts. The requirements of the Standard are modified for such investment contracts.

Modification and derecognition

If the terms of an insurance contract are modified, the Company shall derecognize the original contract and recognize the modified contract as a new contract if there is a substantive modification, based on meeting any of the specified criteria.

The Company shall derecognize an insurance contract when it is extinguished, or if any of the conditions of a substantive modification of an insurance contract are met.

Transition

The Company shall apply the standard retrospectively unless impracticable, in which case entities have the option of using either the modified retrospective approach or the fair value approach.

Under the modified retrospective approach, an entity shall utilize reasonable and supportable information and maximize the use of information that would have been used to apply a full retrospective approach, but need only use information available without undue cost or effort. The Company shall apply fair value approach if reasonable and supportable information is unavailable.

Under the fair value approach, the Company determines the contractual service margin at the transition date as the difference between the fair value of a group of insurance contracts at that date and the fulfilment cash flows measured at that date.

3) IFRIC 23 “Uncertainty Over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Company should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Company concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Company should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Company should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Company has to reassess its judgments and estimates if facts and circumstances change.

On initial application, the Company shall apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

c. Level 3 inputs are unobservable inputs for the asset or liability.

Basis of Consolidation

TCFHC's consolidated financial statements incorporate the financial statements of Taiwan Cooperative Financial Holding Co., Ltd. (TCFHC), and the entities controlled by TCFHC, including Taiwan Cooperative Bank, Ltd. (TCB) and its subsidiary, Co-operative Assets Management Co., Ltd. (CAM) and its subsidiary, Taiwan Cooperative Bills Finance Co., Ltd. (TCBF), Taiwan Cooperative Securities Co., Ltd. (TCS), BNP Paribas Cardif TCB Life Insurance Co., Ltd. (BPCTLI), Taiwan Cooperative Securities Investment Trust Co., Ltd. (TCSIT) and Taiwan Cooperative Venture Capital Co., Ltd. (TCVC).

The accounting policies of TCFHC and its subsidiaries are consistent.

All significant intercompany transactions and balances have been eliminated for consolidation purposes. The accompanying consolidated financial statements also include accounts of TCB's Head Office, OBU, and all branches. All interoffice account balances and transactions have been eliminated.

Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

For more information on the consolidated entities, please see Table 1 (attached).

Other Major Accounting Policies

In addition to the following, refer to the summary of significant accounting policies of the consolidated financial statements for the year ended December 31, 2017.

a. Financial instruments

   Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

   Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

1) Measurement category

   2018

   Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and investments in debt instruments and equity instruments at FVTOCI.

   a) Financial asset at FVTPL

      Financial asset is classified as at FVTPL when the financial asset is mandatorily classified or it is designated as at FVTPL.

      Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

      A financial asset may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

      Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 44.

   b) Financial assets at amortized cost

      Financial assets that meet the following conditions are subsequently measured at amortized cost:

      i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

      ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

      Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, receivables and discounts and debt instruments are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

      Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

      i. Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and

      ii. Financial asset that has subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

c) Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

i. The financial asset is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of the financial assets; and

ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

d) Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company’s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

<u>2017</u>

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss (FVTPL), available-for-sale (AFS) financial assets, held-to-maturity financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or designated as at FVTPL.

A financial asset is classified as designated as at FVTPL upon initial recognition if:

i. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

ii. The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

iii. The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 44.

b) Available-for-sale (AFS) financial assets

AFS financial assets are nonderivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity financial assets or (c) financial assets at fair value through profit or loss. AFS financial assets are stated at fair value at each balance sheet date. Fair value is determined in the manner described in Note 44.

Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed or is determined to be impaired.

Cash dividends on AFS equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established. Stock dividends are recorded as an increase in the number of shares held and do not affect investment income. The cost per share is recalculated on the basis of the new number of investee's shares held.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. These financial assets are measured at fair values if the fair values can be reliably measured subsequently. The difference between carrying amount and fair value is recognized in profit or loss or other comprehensive income. When an AFS financial asset is considered impaired, the losses are recognized to profit or loss.

c) Held-to-maturity financial assets

Held-to-maturity financial assets are nonderivative financial assets with fixed or determinable payments and a fixed maturity date that the Company has the positive intent and ability to hold to maturity.

After initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method less any impairment.

d) Loans and receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including cash and cash equivalents, due from the Central Bank and call loans to other banks, receivables, call loans to securities firms, debt instruments with no active market) are measured at amortized cost using the effective interest method less any impairment.

2) Impairment of financial assets

2018

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including loans and receivables), investments in debt instruments that are measured at FVTOCI, lease receivables, as well as contract assets.

The Company always recognizes lifetime Expected Credit Loss for receivables(excluding receivables of credits and credit cards and accrued interest from debt instruments), and lease receivables. For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

Under FSC guidelines, TCB should classify credit assets as sound credit assets or unsound credit assets, with the unsound assets further categorized as special mention, substandard, with collectability highly doubtful and uncollectable, on the basis of the customers' financial position, valuation of collaterals and the length of time of the principal repayments or interest payments have become overdue.

TCB made 100%, 50%, 10%, 2% and 1% provisions for credits deemed uncollectable, with collectability highly doubtful, substandard, special mention and sound credit assets (excluding assets that represent claims against an ROC government agency), respectively, as minimum provisions. In addition, TCB was required to make provisions of at least 1.5% each for the sound credit assets on loans granted to Mainland China clients (including short-term trading financing) and for mortgage loans granted for housing acquisition, renovation and construction.

Under "The Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Nonperforming Credits, Nonaccrual Loans, and Bad Debts" issued by the FSC, TCBF makes the following minimum provisions for losses on credits for these categories: Uncollectable - 100%; with doubtful collectability - 50%; substandard - 10%; "special mention" - 2%; and collectable (excluding assets that represent claims against an ROC government agency) - 1%.

Under the Article 5 of the "Regulations Governing the Procedures for Insurance Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans" issued by the Insurance Bureau, BPCTLI should make sufficient provisions for credit assets.

Credits deemed uncollectable may be written off if the write-off is approved by the board of directors.

2017

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of financial assets, the estimated future cash flows of the asset have been affected. Objective evidence of impairment could include:

- Significant financial difficulty of the asset issuer and debtor;
- The financial assets becoming overdue;
- Probability that the debtor will enter into bankruptcy or undergo financial reorganization.

Amortized cost of the presentation of financial assets (loans and receivables) that are individually assessed had no objective evidence of impairment are further assessed collectively for impairment. Objective evidence of impairment of a portfolio of receivables could include the Company's past difficulty in collecting payments and an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on financial assets.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows with consideration to the collaterals and guarantees, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an AFS financial asset is considered impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

For AFS equity investments, impairment losses previously recognized in profit or loss cannot reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. For AFS debt instruments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are carried at cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. This impairment loss will not be reversed in subsequent periods.

Impairment loss on financial asset is recognized by reducing its carrying amount through the use of an allowance account. When financial assets are considered uncollectable, they are written off against the allowance account. Recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Under FSC guidelines, TCB should classify credit assets as sound credit assets or unsound credit assets, with the unsound assets further categorized as special mention, substandard, with collectability highly doubtful and uncollectable, on the basis of the customers' financial position, valuation of collaterals and the length of time the principal repayments or interest payments have become overdue.

TCB made 100%, 50%, 10%, 2% and 1% provisions for credits deemed uncollectable, with collectability highly doubtful, substandard, special mention and sound credit assets (excluding assets that represent claims against an ROC government agency), respectively, as minimum provisions. In addition, TCB was required to make provisions of at least 1.5% each for the sound credit assets on loans granted to Mainland China clients (including short-term trading financing) and for mortgage loans granted for housing acquisition, renovation and construction.

Under "The Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Nonperforming Credits, Nonaccrual Loans, and Bad Debts" issued by the FSC, TCBF makes the following minimum provisions for losses on credits for these categories: Uncollectable - 100%; with doubtful collectability - 50%; substandard - 10%; "special mention" - 2%; and collectable (excluding assets that represent claims against an ROC government agency) - 1%.

Under the Article 5 of the "Regulations Governing the Procedures for Insurance Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans" issued by the Insurance Bureau, BPCTLI should make sufficient provisions for credit assets.

Credits deemed uncollectable may be written off if the write-off is approved by the board of directors.

3) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and any associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. From 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

Equity instruments

The Company classifies the debt and equity instruments issued either as financial liabilities or as equity in accordance with the substance of the contractual agreements and the definitions of a financial liability or an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the TCFHC's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the TCFHC's own equity instruments.

Financial liabilities

1) Subsequent measurement

   Except for the cases stated below, all financial liabilities are measured at amortized cost using the effective interest method:

   a) Financial liabilities at FVTPL

      Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or designated as at FVTPL.

      A financial liability is classified as designated as at FVTPL upon initial recognition if:

      i. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

      ii. The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

      iii. The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at fair value through profit or loss.

      Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability. For a financial liability designated as at fair value through profit or loss, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income, and it will not be subsequently reclassified to profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liabilities are derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss. Fair value is determined in the manner described in Note 44.

b) Financial guarantee contracts

2018

Financial guarantee contracts issued by the Company, if not designated as at FVTPL, are subsequently measured at the higher of:

i. The amount of the loss allowance reflecting expected credit loss; and

ii. The amount initially recognized less, where appropriate, cumulative amount of income recognized in accordance with the revenue recognition policies.

2017

Financial guarantee contracts issued by the Company are not designated as at FVTPL and are subsequently measured at the higher of (a) the amount of the obligation under the contract, as determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; or (b) the amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with revenue recognition policies.

2) Derecognition of financial liabilities

The Company derecognizes financial liabilities only when the Company's obligations are discharged or cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Derivatives

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the balance sheet date. The resulting gain or loss is recognized in profit or loss immediately. If the fair value of a derivative is a positive number, the derivative is recognized as an asset and if the fair value is a negative number, the derivative is recognized as a liability.

Before 2017, derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the host contracts; and the contracts were not measured at FVTPL. From 2018, derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

b. Employee benefits

Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

c. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistent with the accounting for the transaction itself which gives rise to the tax consequence, and is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs. The effect of the change in tax rate relating to transactions recognized in profit or loss is included in estimating the average annual income tax rate, consequently spreading the effect throughout the interim period.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2017. Please refer to Note 5 to the consolidated financial statements as of December 31, 2017 for the details of critical accounting judgments and key sources of estimation uncertainty.

Estimated Impairment of Financial Assets - 2018

The provision for impairment of loans and receivables, investments in debt instruments and financial guarantee contracts is based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company’s past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	March 31, 2018	December 31, 2017	March 31, 2017
Cash on hand	$ 24,021,519	$ 22,460,001	$ 22,773,183
Notes and checks in clearing	6,602,019	23,198,709	11,856,843
Due from banks	13,565,351	19,190,930	18,646,765
	$ 44,188,889	$ 64,849,640	$ 53,276,791

Reconciliations of cash and cash equivalents between the consolidated statements of cash flows and the consolidated balance sheets as of March 31, 2018 and 2017 are shown in the consolidated statements of cash flows. The reconciliation as of December 31, 2017 are stated below:

	December 31, 2017
Cash and cash equivalent in the consolidated balance sheet	$ 64,849,640
Due from the Central Bank and call loans to other banks in accordance with the definition of cash and cash equivalents under IAS 7 "Statement of Cash Flows"	43,865,541
Securities purchased under resell agreements in accordance with the definition of cash and cash equivalents under IAS 7 "Statement of Cash Flows"	1,580,366
Cash and cash equivalents, end of the year	$ 110,295,547

7. DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS

	March 31, 2018	December 31, 2017	March 31, 2017
Reserves for deposits - account A	$ 22,357,528	$ 36,817,723	$ 33,034,953
Reserves for deposits - account B	69,126,889	68,849,178	66,406,563
Reserves for deposits - community financial institutions	56,896,870	56,667,002	55,683,726
Reserves for deposits - foreign-currency deposits	374,366	370,594	334,232
Deposits in the Central Bank	39,200,000	39,200,000	39,200,000
Time deposits in the Central Bank	-	4,100,000	4,000,000
Negotiable certificates of deposit in the Central Bank	800,000	800,000	1,300,000
Due from the Central Bank - others	6,794,585	10,732,126	9,110,166
Due from the Central Bank - central government agencies' deposits	2,824,459	2,498,012	2,246,890
Call loans to banks	46,421,514	49,661,195	70,296,602
	$ 244,796,211	$ 269,695,830	$ 281,613,132

The deposit reserves are determined monthly at prescribed rates based on the average balances of various types of deposit accounts held by the Company. The deposit reserves are subject to withdrawal restrictions, but deposit reserve - account A and foreign-currency deposit reserves may be withdrawn anytime.

Under the guideline issued by the Central Bank of the Republic of China (CBC), Taiwan Cooperative Bank Ltd. should deposit 60 percent of the deposits of central government agencies in the CBC, and the deposits are subject to withdrawal restrictions.

8. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2018	December 31, 2017	March 31, 2017
Financial assets mandatorily classified as at fair value through profit or loss			
Commercial paper	$ 38,323,635	$ -	$ -
Negotiable certificates of deposit	12,247,158	-	-
Beneficial certificates	5,875,330	-	-
Corporate bonds	4,589,965	-	-
Bank debentures	4,469,730	-	-
Stocks	3,197,003	-	-
Government bonds	2,165,368	-	-
Convertible bonds	1,366,033	-	-
Commercial paper contracts with reference rate	2,404	-	-
Currency swap contracts	1,113,138	-	-
Futures exchange margins	235,452	-	-
Forward contracts	153,245	-	-
Foreign-currency margin contracts	110,171	-	-
Cross-currency swap contracts	33,882	-	-
Currency option contracts - buy	29,840	-	-
Interest rate swap contracts	16,134	-	-
TAIEX options	14	-	-
Stock warrants	2	-	-
	73,928,504	-	-
Held-for-trading financial assets			
Commercial paper	-	34,724,323	42,054,213
Corporate bonds	-	4,073,847	2,309,452
Negotiable certificates of deposit	-	3,946,887	699,845
Bank debentures	-	3,297,370	2,242,294
Stocks	-	1,748,869	1,554,994
Convertible bonds	-	1,108,603	902,181
Beneficial certificates	-	1,024,957	1,097,247
Government bonds	-	150,148	1,497,649
Commercial paper contracts with reference rate	-	2,699	1,625
Currency swap contracts	-	2,257,064	2,812,976
Futures exchange margins	-	222,072	249,108
Interest rate swap contracts	-	166,405	11,866
Forward contracts	-	116,003	167,011
Foreign-currency margin contracts	-	112,946	93,990
Cross-currency swap contracts	-	27,341	29,243
Currency option contracts - buy	-	18,306	38,292
Stock warrants	-	1,055	1,363
	-	52,998,895	55,763,349
Financial assets designated as at fair value through profit or loss			
Convertible bond asset swap contracts	1,057,043	151,235	-
Financial assets at fair value through profit or loss	$ 74,985,547	$ 53,150,130	$ 55,763,349

(Continued)

	March 31, 2018	December 31, 2017	March 31, 2017
Held-for-trading financial liabilities			
Payable - security borrowing	$ 363,643	$ 114,043	$ 156,696
Securities purchased under resell agreements - short sale	351,144	-	-
Covering bond payable of the when - issued government bonds	100,143	-	-
Currency swap contracts	3,168,218	2,654,764	4,722,388
Interest rate swap contracts	779,359	18,677	577,717
Asset swap options	46,411	47,005	49,235
Forward contracts	31,760	10,907	80,433
Currency option contracts - sell	30,578	18,304	38,470
Cross-currency swap contracts	26,056	15,108	17,012
Foreign-currency margin contracts	287	229	104
Stock warrants issued liabilities, net	95	4,196	8,184
	4,897,694	2,883,233	5,650,239
Financial liabilities designated as at fair value through profit or loss			
Bank debentures (Note 27)	10,907,683	11,688,291	11,617,837
Financial liabilities at fair value through profit or loss	$ 15,805,377	$ 14,571,524	$ 17,268,076

(Concluded)

As of March 31, 2018, December 31, 2017 and March 31, 2017, financial assets at fair value through profit or loss amounting to $40,210,938 thousand, $28,100,388 thousand and $26,143,286 thousand, respectively, had been sold under repurchase agreements.

TCB enters into derivative transactions mainly to accommodate customers' needs and to manage its exposure to adverse changes in exchange rates and interest rates. TCB's strategy for hedging against risk is to reduce most of the market price risk or cash flow risk.

As of March 31, 2018, December 31, 2017 and March 31, 2017, the contract (notional) amounts of derivative transactions of TCB were as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Currency swap contracts	$ 418,764,804	$ 385,254,620	$ 358,648,995
Interest rate swap contracts	17,265,311	16,987,717	14,691,672
Forward contracts	15,104,909	10,061,815	13,368,570
Currency option contracts - sell	4,959,810	4,936,507	6,980,635
Currency option contracts - buy	4,814,310	4,936,507	6,798,355
Cross-currency swap contracts	2,213,337	1,910,603	1,629,530
Foreign-currency margin contracts	849,045	1,555,713	2,139,440

As of March 31, 2018, December 31, 2017 and March 31, 2017, the open position of futures transactions of TCB were as follows:

		March 31, 2018			
		Open Position		Contract Amounts or Premium	
Items	**Products**	**Buy/Sell**	**Number of Contracts**	**Paid (Charged)**	**Fair Values**
Futures contracts	TAIEX Futures 201804	Sell	20	$ 43,860	$ 43,696
	10-Year U.S. Treasury Note Futures 201706	Sell	130	455,856	458,275

		December 31, 2017			
		Open Position		Contract Amounts or Premium	
Items	**Products**	**Buy/Sell**	**Number of Contracts**	**Paid (Charged)**	**Fair Values**
Futures contracts	TAIEX Futures 201801	Sell	10	$ 21,050	$ 21,266
	10-Year U.S. Treasury Note Futures 201803	Sell	30	110,808	110,270

		March 31, 2017			
		Open Position		Contract Amounts or Premium	
Items	**Products**	**Buy/Sell**	**Number of Contracts**	**Paid (Charged)**	**Fair Values**
Futures contracts	10-Year U.S. Treasury Note Futures 201706	Sell	25	$ 93,943	$ 94,439

As of March 31, 2018, December 31, 2017 and March 31, 2017, the open position of futures and option transactions of Taiwan Cooperative Securities Co., Ltd. (TCS) were as follows:

		March 31, 2018			
		Open Position		Contract Amounts or Premium	
Items	**Products**	**Buy/Sell**	**Number of Contracts**	**Paid (Charged)**	**Fair Values**
Future contracts	SGX FTSE China A50 Index Futures 201804	Buy	803	$ 294,913	$ 295,998
	E-mini S&P 500 Index Futures 201806	Buy	3	11,355	11,539
	W.I.S.E. Yuanta/P-shares CSI 300 ETF 201804	Buy	268	51,245	50,036
	Fubon SSE180 ETF Futures 201804	Buy	479	152,372	150,933

(Continued)

Items	Products	March 31, 2018 Open Position Buy/Sell	Number of Contracts	Contract Amounts or Premium Paid (Charged)	Fair Values
	Yuanta/P-shares SSE50 ETF 201804	Buy	34	$ 11,059	$ 10,764
	Cathay FTSE China A50 ETF Futures 201804	Buy	24	4,925	4,970
	Taiwan Stock Exchange Finance Sector Index Futures 201804	Sell	10	12,236	12,146
	TAIEX Futures 201804	Sell	11	24,030	24,033
	Euro STOXX 50 Index Futures 201806	Sell	5	5,999	5,884
	H-shares Index Futures 201804	Sell	4	9,029	8,933
	SGX Nikkei 225 Index Futures 201806	Sell	5	14,290	14,688
	Japanese Yen Futures 201806	Sell	26	89,696	89,327
	Crude Oil Futures 201805	Sell	44	83,856	83,163
	US Dollar Index Futures 201806	Sell	8	20,888	20,912
	Gold Futures 201806	Sell	17	66,734	65,673
	E-mini NASDAQ-100 Futures 201806	Sell	8	30,591	30,707
	Soybean Futures 201805	Sell	5	7,482	7,602
	2-Year U.S. Treasury Note Futures 201806	Sell	174	1,076,764	1,076,711
	10-Year U.S. Treasury Note Futures 201806	Sell	116	407,429	408,993
	VX-Cboe Volatility Index Futures 201804	Sell	44	24,150	25,324
	VX-Cboe Volatility Index Futures 201805	Sell	14	7,719	7,834
	E-mini Dow Index Futures 201806	Sell	5	18,240	17,570
Option contracts	TAIEX Index Options 201804	Buy	15	14	14

(Concluded)

Items	Products	December 31, 2017			
		Open Position		Contract Amounts or Premium Paid (Charged)	Fair Values
		Buy/Sell	Number of Contracts		
Future contracts	Shin Kong Financial Holding Co., Ltd. Stock Futures 201801	Buy	70	$ 1,470	$ 1,470
	SGX FTSE China A50 Index Futures 201801	Buy	327	129,242	128,870
	US Dollar Index Futures 201803	Buy	2	5,568	5,465
	Taiwan Semiconductor Manufacturing Co., Ltd. Stock Futures 201802	Sell	12	5,412	5,496
	W.I.S.E. Yuanta/P-shares CSI 300 ETF Futures 201801	Sell	4	770	765
	Fubon SSE180 ETF Futures 201801	Sell	132	42,600	42,438
	Fubon SSE180 ETF Futures 201802	Sell	1	326	322
	Yuanta/P-shares SSE50 ETF Futures 201801	Sell	1	330	324
	Cathay FTSE China A50 ETF Futures 201801	Sell	191	40,719	40,664
	Fubon SZSE 100 Index ETF Futures 201801	Sell	3	349	347
	Capital SZSE SME Price Index ETF Futures 201801	Sell	36	5,631	5,670
	Taiwan Stock Exchange Electronic Sector Index Futures 201801	Sell	12	20,989	21,178
	Taiwan Stock Exchange Finance Sector Index Futures 201801	Sell	18	21,177	21,377
	TAIEX Futures 201801	Sell	3	6,374	6,380
	Shin Kong Financial Holding Co., Ltd. Stock Futures 201801	Sell	100	2,125	2,100
	Euro STOXX 50 Index Futures 201803	Sell	12	15,213	14,910
	H-shares Index Futures 201801	Sell	11	24,519	24,561
	TOPIX Futures 201803	Sell	5	24,021	24,003
	SGX Nikkei 225 Index Futures 201803	Sell	16	48,066	48,095
	Crude Oil Futures 201802	Sell	4	7,088	7,192
	E-mini S&P 500 Index Futures 201803	Sell	1	3,999	3,982
	Gold Futures 201802	Sell	4	15,398	15,586

(Continued)

Items	Products	December 31, 2017 Open Position Buy/Sell	Number of Contracts	Contract Amounts or Premium Paid (Charged)	Fair Values
	E-mini NASDAQ-100 Futures 201803	Sell	3	$ 11,354	$ 11,443
	Soybean Futures 201803	Sell	1	1,457	1,431
	2-Year U.S. Treasury Note Futures 201803	Sell	5	31,920	31,859
	10-Year U.S. Treasury Note Futures 201803	Sell	30	111,249	110,749
	VX-Cboe Volatility Index Futures 201801	Sell	21	7,659	7,171

(Concluded)

Items	Products	March 31, 2017 Open Position Buy/Sell	Number of Contracts	Contract Amounts or Premium Paid (Charged)	Fair Values
Futures contracts	W.I.S.E. Yuanta/P-shares CSI 300 ETF 201705	Buy	14	$ 2,184	$ 2,177
	Fubon SSE180 ETF 201705	Buy	41	11,010	10,980
	Fuh Hwa CSI300 A Shares ETF Futures 201704	Buy	2	398	401
	Fubon SZSE 100 Index ETF Futures 201704	Buy	15	1,400	1,411
	Mini H-shares Index Futures 201704	Buy	8	3,237	3,213
	Cathay FTSE China A50 ETF Futures 201704	Buy	187	59,116	59,284
	E-mini S&P 500 Index Futures 201706	Buy	5	17,845	17,889
	Shin Kong Financial Holding Co., Ltd. Stock Futures 201704	Sell	13	232	230
	Alpha Networks Inc. Stock Futures 201704	Sell	190	8,771	8,721
	Tong Hsing Electronic Industries, Ltd. Stock Futures 201704	Sell	7	1,876	1,876
	W.I.S.E. Yuanta/P-shares CSI 300 ETF 201704	Sell	17	2,660	2,643
	Fubon SSE180 ETF 201704	Sell	61	16,405	16,391
	Yuanta/P-shares SSE50 ETF 201704	Sell	29	7,412	7,476

(Continued)

Items	Products	March 31, 2017			
		Open Position		Contract Amounts or Premium Paid (Charged)	Fair Values
		Buy/Sell	Number of Contracts		
	Cathay FTSE China A50 ETF Futures 201704	Sell	62	$ 10,075	$ 10,001
	Capital SZSE SME Price Index ETF Futures 201704	Sell	96	13,208	13,104
	Capital SZSE SME Price Index ETF Futures 201705	Sell	15	2,073	2,044
	TAIEX Futures 201704	Sell	44	86,573	86,425
	Yuanta/P-shares Taiwan Top 50 ETF Futures 201704	Sell	3	2,183	2,209
	H-shares Index Futures 201704	Sell	5	10,187	10,041
	NYMEX Crude Oil Futures 201705	Sell	47	71,568	72,131
	NYMEX Gold Futures 201706	Sell	31	116,995	117,642
	Nifty 50 Futures 201704	Sell	10	5,565	5,579
	E-mini NASDAQ 100 Futures 201706	Sell	7	23,028	23,093
	US T-NOTE 201706	Sell	35	130,853	132,229
	Ultra 10-Year U.S. Treasury Note Futures 201706	Sell	6	29,220	29,231
	CBOE Volatility Index Futures 201704	Sell	19	7,971	7,650
	CBOE Volatility Index Futures 201705	Sell	25	10,638	10,293
	E-mini Dow Jones Futures 201706	Sell	7	22,059	21,872

(Concluded)

As of March 31, 2018 and December 31, 2017 and March 31, 2017, the contract (notional) amounts of asset swap contracts of TCS were as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Asset swap contracts	$ 627,300	$ 408,500	$ 490,700

As of March 31, 2018, December 31, 2017 and March 31, 2017, the contract (notional) amounts of currency swap contracts and interest rate swap contracts of TCS were as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Interest rate swap contracts	$ 70,890,000	$ 28,490,000	$ 2,090,000
Currency swap contracts	1,079,677	792,669	559,589

The duration of the stock warrants issued by TCS is six to eight months from the trade date, and will be settled in cash. The fair values of stock warrants issued and repurchased by TCS were as follows:

	March 31	
	2018	**2017**
Stock warrants issued liabilities	$ 36,780	$ 752,100
Losses on changes in fair value of stock warrants issued liabilities	(34,180)	(135,570)
	2,600	616,530
Repurchase of stock warrants issued liabilities	36,230	710,870
Losses on changes in fair value of repurchased of stock warrants issued liabilities	(33,725)	(102,524)
	2,505	608,346
Stock warrants liabilities, net	$ 95	$ 8,184

BNP Paribas Cardif TCB Life Insurance Co., Ltd. (BPCTLI) engages in cross-currency swap contracts and currency swap contracts to reduce risks due to exchange rate and interest rate fluctuations. The objective of financial risk management of BPCTLI is to manage substantial risks due to changes in fair value or cash flow.

As of March 31, 2018, December 31, 2017 and March 31, 2017, the contract (notional) amounts of derivative transactions of BPCTLI were as follows:

	March 31, 2018	**December 31, 2017**	**March 31, 2017**
Currency swap contracts	$ 16,416,639	$ 13,736,581	$ 12,737,279
Cross-currency swap contracts	582,000	593,600	911,400

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET - 2017

	December 31, 2017	**March 31, 2017**
Government bonds	$ 112,677,620	$ 105,001,323
Corporate bonds	43,359,712	41,186,523
Bank debentures	37,111,531	31,190,186
Stocks	5,371,870	6,150,873
Beneficial certificates	4,798,725	4,750,977
	$ 203,319,458	$ 188,279,882

As of December 31, 2017 and March 31, 2017, available-for-sale financial assets amounting to $13,460,652 thousand and $17,628,353 thousand, respectively, had been sold under repurchase agreements.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

	March 31, 2018
Investment in equity instruments at FVTOCI	
Listed shares and emerging market shares	$ 5,385,168
Unlisted shares	6,246,503
	11,631,671
Investments in debt instruments at FVTOCI	
Government bonds	122,679,344
Corporate bonds	100,601,591
Bank debentures	58,462,514
	281,743,449
	$ 293,375,120

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

For the purpose of risk diversification and profit strategy, the Company adjusted the investment position to sell part of equity instruments for the three months ended March 31, 2018. The accumulated unrealized profit of financial assets at FVTOCI under other equity in the amount of $6,483 thousand has been transferred to retained earnings.

As of March 31, 2018, financial assets at fair value through other comprehensive income amounting to $12,098,654 thousand, respectively, had been sold under repurchase agreements.

11. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST - 2018

	March 31, 2018
Negotiable certificates of deposit in the Central Bank	$ 392,675,000
Government bonds	75,125,658
Corporate bonds	29,241,808
Bank debentures	18,799,277
Certificates of deposit	284,884
	516,126,627
Less: Allowance for impairment loss	42,401
	$ 516,084,226

12. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities acquired for $752,867 thousand $1,580,366 thousand and $1,447,120 thousand under resell agreements as of March 31, 2018, December 31, 2017 and March 31, 2017, respectively, will subsequently be sold for $753,109 thousand, $1,582,469 thousand and $1,447,543 thousand, respectively.

As of December 31, 2017, securities purchased under resell agreements amounting to $917,098 thousand had been sold under repurchase agreements.

13. RECEIVABLES, NET

	March 31, 2018	December 31, 2017	March 31, 2017
Accrued interest	$ 7,711,682	$ 8,285,700	$ 6,965,743
Margin loans receivable	5,697,807	5,698,466	3,834,497
Receivable on securities	3,889,375	739,905	1,649,070
Credit cards	3,520,047	3,214,061	3,081,695
Acceptances	3,458,442	4,119,715	3,243,527
Lease payment receivable	2,386,139	2,001,316	1,513,723
Settlement consideration	2,211,829	2,603,792	2,194,227
Settlement receivable	2,063,556	1,908,602	2,271,270
Receivables on lending funds	1,022,332	968,704	575,710
Receivables on merchant accounts in the credit card business	931,979	1,031,825	541,233
Acquired loans	646,072	1,361,411	2,000,513
Credits receivable	462,281	463,578	467,655
Accounts receivable	417,134	463,241	428,241
Receivable - separated account	310,201	516,778	701,224
Accounts receivable factored without recourse	290,410	1,843,856	470,151
Refundable deposits receivable in leasehold agreements	183,993	183,993	272,993
Others	590,227	528,340	625,601
	35,793,506	35,933,283	30,837,073
Less: Allowance for possible losses	767,445	1,433,695	1,588,364
Less: Unrealized interest revenue	160,840	139,285	102,459
	$ 34,865,221	$ 34,360,303	$ 29,146,250

Credits receivable due to the merger with the Farmers Bank of China on May 1, 2006 were recognized at the fair value of credits written off by the Farmers Bank of China in the past. The fair values were evaluated by PricewaterhouseCoopers Financial Advisory Service Co., Ltd.

The changes in the impairment assessment of receivables and allowance for possible losses of credits, credit cards, and accrued interest from debt instruments are summarized below:

Gross Carrying Amount	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Total
Balance at January 1, 2018	$ 22,194,858	$ 53,206	$ 184,769	$ 22,432,833
Transfers to				
Lifetime ECL	(27,294)	27,334	(40)	-
Credit-impaired financial assets	(7,640)	(4,077)	11,717	-
12-month ECL	10,069	(10,024)	(45)	-
New financial assets purchased or originated	12,593,862	12,930	58,969	12,665,761
Write-offs	-	-	(5,889)	(5,889)
Derecognition of financial assets in the current reporting period	(14,621,723)	(27,992)	(61,134)	(14,710,849)
Other changes	(557,995)	(89)	(35)	(558,119)
Balance at March 31, 2018	$ 19,584,137	$ 51,288	$ 188,312	$ 19,823,737

Allowance for Possible Losses	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2018	$ 46,423	$ 12,867	$ 61,448	$ 120,738	$ 97,016	$ 217,754
Changes from financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(255)	258	(3)	-	-	-
Credit-impaired financial assets	(278)	(738)	1,016	-	-	-
12-month ECL	2,324	(2,316)	(8)	-	-	-
Derecognition of financial assets in the current reporting period	(30,009)	(8,300)	(13,707)	(52,016)	-	(52,016)
Reversal from financial instruments recognized at the beginning of the current reporting period	(31,607)	6,577	(4,357)	(29,387)	-	(29,387)
New financial assets purchased or originated	29,522	2,059	16,906	48,487	-	48,487
Difference of impairment loss under regulations	-	-	-	-	30,217	30,217
Write-offs	-	-	(5,889)	(5,889)	-	(5,889)
Recovery of written-off receivables	22,739	-	1,391	24,130	-	24,130
Change in exchange rates and other changes	1,803	-	(3,862)	(2,059)	-	(2,059)
Balance at March 31, 2018	$ 40,662	$ 10,407	$ 52,935	$ 104,004	$ 127,233	$ 231,237

Impairment assessment except the above receivables were based on expected credit losses model at the beginning of the current reporting period by simplified method. On March 31, 2018, the amount of impairment assessment to receivables and allowance for possible losses were $15,969,769 thousands and $536,208 thousands, respectively.

The changes in allowance for possible losses by using simplified method are summarized below:

	For the Three Months Ended March 31, 2017
Balance, January 1	$ 601,913
Reversal of provision for possible losses	(5,887)
Write-offs	(61,476)
Recovery of written-off receivables	1,039
Effects of exchange rate changes	619
Balance, March 31	$ 536,208

The allowances for possible losses on receivables (except spot exchange receivable - foreign currencies, which amounted to $21 thousand and $98,607 thousand, respectively) assessed for impairment as of December 31, 2017 and March 31, 2017 were as follows:

Items		December 31, 2017		March 31, 2017	
		Receivables	Allowance for Possible Losses	Receivables	Allowance for Possible Losses
With objective evidence of impairment	Assessment of individual impairment	$ 1,417,185	$ 838,843	$ 1,568,665	$ 868,138
	Assessment of collective impairment	116,033	31,979	123,670	36,761
With no objective evidence of impairment	Assessment of collective impairment	34,400,044	562,873	29,046,131	683,465
Total		35,933,262	1,433,695	30,738,466	1,588,364

The changes in allowance for possible losses are summarized below:

	For the Three Months Ended March 31, 2017
Balance, January 1	$ 1,618,858
Reversal of provision for possible losses	(10,259)
Write-offs	(20,108)
Recovery of written-off receivables	3,273
Effects of exchange rate changes	(3,400)
Balance, March 31	$ 1,588,364

14. DISCOUNTS AND LOANS, NET

	March 31, 2018	December 31, 2017	March 31, 2017
Bills discounted	$ 1,061,019	$ 1,446,384	$ 702,962
Overdraft			
Unsecured	139,770	136,988	134,185
Secured	70,511	63,885	88,389
Import and export negotiations	203,313	663,775	399,948
Short-term loans			
Unsecured	308,121,730	250,074,255	215,317,674
Accounts receivable financing	595,127	869,022	542,507
Secured	192,518,160	190,622,135	174,909,261
Medium-term loans			
Unsecured	299,084,466	304,022,529	289,866,506
Secured	301,118,503	299,685,728	309,072,593
Long-term loans			
Unsecured	28,057,282	27,915,371	29,038,041
Secured	949,565,394	946,289,312	929,176,612
Overdue loans	5,403,798	6,075,410	7,134,663
Life insurance loan	705,471	611,957	454,315
Temporary insurance paid	31,525	25,987	17,183
	2,086,676,069	2,028,502,738	1,956,854,839
Less: Allowance for possible losses	25,786,291	25,196,604	23,377,278
Less: Adjustment of discount	424,025	422,586	412,907
	$ 2,060,465,753	$ 2,002,883,548	$ 1,933,064,654

The changes in gross carrying amount and allowance for possible losses of discounts and loans are summarized below:

Gross Carrying Amount	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Total
Balance at January 1, 2018	$ 1,991,651,844	$ 6,619,720	$ 30,231,174	$ 2,028,502,738
Transfers to				
Lifetime ECL	(3,265,181)	3,290,730	(25,549)	-
Credit-impaired financial assets	(2,890,002)	(833,196)	3,723,198	-
12-month ECL	1,371,487	(1,269,664)	(101,823)	-
New financial assets purchased or originated	317,540,203	95,515	440,379	318,076,097
Write-offs	-	-	(1,167,764)	(1,167,764)
Derecognition of financial assets in the current reporting period	(253,973,643)	(490,449)	(2,653,912)	(257,118,004)
Other changes	(1,571,781)	(29,389)	(15,828)	(1,616,998)
Balance at March 31, 2018	$ 2,048,862,927	$ 7,383,267	$ 30,429,875	$ 2,086,676,069

Allowance for Possible Losses	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2018	$ 3,366,360	$ 36,992	$ 5,674,719	$ 9,078,071	$ 16,113,076	$ 25,191,147
Changes from financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(7,575)	10,112	(2,537)	-	-	-
Credit-impaired financial assets	(6,996)	(9,157)	16,153	-	-	-
12-month ECL	13,891	(2,360)	(11,531)	-	-	-
Derecognition of financial assets in the current reporting period	(599,717)	(817)	(304,644)	(905,178)	-	(905,178)
Reversal from financial instruments recognized at the beginning of the current reporting period	172,183	5,440	836,852	1,014,475	-	1,014,475
New financial assets purchased or originated	712,149	354	88,749	801,252	-	801,252
Difference of impairment loss under regulations	-	-	-	-	669,179	669,179
Write-offs	-	-	(1,167,764)	(1,167,764)	-	(1,167,764)
Recovery of write-off credits	-	-	218,334	218,334	-	218,334
Change in exchange rates and other changes	(54,638)	(587)	20,071	(35,154)	-	(35,154)
Balance at March 31, 2018	$ 3,595,657	$ 39,977	$ 5,368,402	$ 9,004,036	$ 16,782,255	$ 25,786,291

The allowances for possible losses on discounts and loans assessed for impairment as of December 31, 2017 and March 31, 2017 were as follows:

Items		December 31, 2017		March 31, 2017	
		Discounts and Loans	Allowance for Possible Losses	Discounts and Loans	Allowance for Possible Losses
With objective evidence of impairment	Assessment of individual impairment	$ 19,302,813	$ 3,832,312	$ 18,299,493	$ 3,898,637
	Assessment of collective impairment	11,295,185	1,910,062	11,119,248	1,902,590
With no objective evidence of impairment	Assessment of collective impairment	1,997,904,740	19,454,230	1,927,436,098	17,576,051
Total		2,028,502,738	25,196,604	1,956,854,839	23,377,278

The changes in allowance for possible losses are summarized below:

	For the Three Months Ended March 31, 2017
Balance, January 1	$ 23,554,791
Provision for possible losses	678,609
Write-offs	(903,782)
Recovery of written-off credits	252,182
Effects of exchange rate changes	(204,522)
Balance, March 31	$ 23,377,278

The bad-debt expenses and provision for losses on guarantees for the three months ended March 31, 2018 and 2017 were as follows:

	For the Three Months Ended March 31	
	2018	2017
Provision for possible losses on discounts and loans	$ 1,579,728	$ 678,609
Provision (reversal of provision) for possible losses on receivables	(8,586)	(10,259)
Provision (reversal of provision) for possible losses on overdue receivables	4,479	(93,640)
Provision (reversal of provision) for possible losses on guarantees	(34,887)	139,074
Provision for possible losses on loan commitment	54,710	-
	$ 1,595,444	$ 713,784

As of March 31, 2018, December 31, 2017 and March 31, 2017, TCB was in compliance with the FSC-required provision for credit assets.

As of March 31, 2018, December 31, 2017 and March 31, 2017, accrual of interest on the above overdue loans had stopped. Thus, the unrecognized interest revenue was $26,623 thousand and $33,606 thousand for the three months ended March 31, 2018 and 2017, respectively, based on the average loan interest rate for the year.

15. HELD-TO-MATURITY FINANCIAL ASSETS - 2017

	December 31, 2017	March 31, 2017
Negotiable certificates of deposit in the Central Bank	$ 402,675,000	$ 417,410,000
Government bonds	76,495,807	62,027,532
Corporate bonds	30,841,989	24,763,710
Bank debentures	5,902,331	4,701,197
Certificates of deposit	276,024	282,534
Treasury bills	-	498,878
	$ 516,191,151	$ 509,683,851

The Company evaluated its held-to-maturity financial assets and recognized a reversal of impairment loss of $8,097 thousand on some bonds because of the change in credit ratings of the bond issuers for the three months ended March 31, 2017.

As of March 31, 2017, held-to-maturity financial assets amounting to $1,225,334 thousand, had been sold under repurchase agreements.

16. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	March 31, 2018		December 31, 2017		March 31, 2017	
	Amount	Percentage of Ownership	Amount	Percentage of Ownership	Amount	Percentage of Ownership
Investment in associate						
United Real Estate Management Co., Ltd.	$ 127,574	30.00	$ 124,346	30.00	$ 124,142	30.00

Aggregate information of associate that is not individually material:

	For the Three Months Ended March 31	
	2018	2017
The Company's share of:		
Net income	$ 2,712	$ 2,669
Other comprehensive income	516	92
Total comprehensive income for the period	$ 3,228	$ 2,761

The investments accounted for by equity method and the share of profit or loss and other comprehensive income of the investments for the three months ended March 31, 2018 and 2017 were based on the associate's financial statements for the same period which have not been reviewed by the auditors. Management believes there is no material impact on the equity method accounting or the calculation of the share of profit or loss and other comprehensive income, from the financial statements of the associate that have not been reviewed.

17. OTHER FINANCIAL ASSETS, NET

	March 31, 2018	December 31, 2017	March 31, 2017
Overdue receivables	$ 37,588	$ 987,653	$ 501,219
Less: Allowance for possible losses	14,159	958,408	463,139
Overdue receivables, net	23,429	29,245	38,080
Due from banks	26,013,444	21,313,136	17,841,586
Security borrowing margin	570,837	214,778	438,072
Debt instruments with no active market, net	-	92,388,831	92,573,424
Financial assets carried at cost	-	4,279,439	4,300,006
Call loans to security firms	-	-	273,820
Separate-account assets (Note 31)	93,864,917	95,247,471	88,140,173
	$ 120,472,627	$ 213,472,900	$ 203,605,161

Debt instruments with no active market are summarized as follows:

	December 31, 2017	March 31, 2017
Corporate bonds	$ 75,664,544	$ 75,623,457
Bank debentures	16,724,287	16,949,967
	$ 92,388,831	$ 92,573,424

Financial assets carried at cost are summarized as follows:

	December 31, 2017		March 31, 2017	
	Amount	Percentage of Ownership	Amount	Percentage of Ownership
Taiwan Asset Management Co., Ltd.	$ 2,370,934	17.03	$ 2,370,934	17.03
Taipei Financial Center Corp.	669,600	1.63	669,600	1.63
Taiwan Power Company	631,153	0.24	631,153	0.24
Financial Information Service Co., Ltd.	135,405	2.89	135,405	2.89
Taiwan Financial Asset Service Co., Ltd.	101,125	5.88	101,125	5.88
Others	371,222		391,789	
	$ 4,279,439		$ 4,300,006	

Management believed that the above equity investments held by the Company, whose fair value cannot be reliably measured due to the range of reasonable fair value estimates was so significant; therefore, they were measured at cost less impairment loss at the end of the reporting period.

Due from banks (part of other financial assets, net) held by the Company were demand deposits and time deposits could not be withdrawn and time deposits had maturity periods of more than three months and could not be used before maturity.

18. INVESTMENT PROPERTIES, NET

	March 31, 2018	December 31, 2017	March 31, 2017
Land	$ 6,536,874	$ 6,532,839	$ 2,973,912
Buildings	1,891,947	1,893,865	944,288
	$ 8,428,821	$ 8,426,704	$ 3,918,200

Except for depreciation expenses recognized and the reclassification of investment properties, the Company had no significant addition, disposal and impairment on investment properties during the three months ended March 31, 2018 and 2017.

Investment properties (except for land) are depreciated on the straight-line method over service lives estimated as follows:

Main buildings	5 to 50 years
Equipment installed in buildings	5 years

As of December 31, 2017 and 2016, the fair value of investment properties was $23,487,950 thousand and $8,531,932 thousand, respectively. The fair value was determined through calculations using the market value method and estimates based on market quotes. The management of the Company had assessed and determined that there was no significant changes in the fair value of investment properties for the three months ended March 31, 2018 and 2017.

The revenues generated from the investment properties are summarized as follows:

	For the Three Months Ended March 31	
	2018	2017
Rental income from investment properties	$ 81,289	$ 45,069
Direct operating expenses for investment properties that generate rental income	(27,265)	(18,030)
	$ 54,024	$ 27,039

19. PROPERTIES AND EQUIPMENT, NET

	March 31, 2018	December 31, 2017	March 31, 2017
Carrying amount			
Land	$ 21,103,447	$ 21,107,531	$ 24,387,497
Buildings	11,852,558	11,896,115	7,776,254
Machinery and equipment	513,701	581,097	684,393
Transportation equipment	91,981	95,126	91,435
Other equipment	220,262	181,053	151,593
Leasehold improvements	127,476	111,016	126,789
Leased assets	23,793	11,604	13,034
Prepayments for equipment, land and buildings and construction in progress	452,596	112,527	4,826,019
	$ 34,385,814	$ 34,096,069	$ 38,057,014

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Leased Assets	Prepayments for Equipment, Land and Buildings and Construction in Progress	Total
Cost									
Balance, January 1, 2018	$ 21,122,708	$18,675,258	$ 4,592,586	$ 648,149	$ 1,311,963	$ 904,230	$ 13,352	$ 112,527	$ 47,380,773
Additions	-	118,595	4,246	4,672	14,048	29,683	12,773	405,561	589,578
Disposals	-	-	(49,473)	(21,800)	(13,395)	(9,617)	-	-	(94,285)
Reclassification	(4,035)	(2,606)	8,787	-	44,813	-	-	(65,476)	(18,517)
Effects of exchange rate changes	(49)	(105)	(2,126)	(463)	(788)	(1,212)	-	(16)	(4,759)
Balance, March 31, 2018	$ 21,118,624	$18,791,142	$ 4,554,020	$ 630,558	$ 1,356,641	$ 923,084	$ 26,125	$ 452,596	$ 47,852,790
Balance, January 1, 2017	$ 24,345,850	$ 14,414,368	$ 4,824,702	$ 636,297	$ 1,308,670	$ 919,115	$ -	$ 4,874,792	$ 51,323,794
Additions	56,980	1,862	13,842	1,559	3,266	2,037	13,352	160,642	253,540
Disposals	-	-	(64,274)	(4,490)	(19,342)	(8,855)	-	-	(96,961)
Reclassification	-	274	9,894	-	142	572	-	(209,415)	(198,533)
Effects of exchange rate changes	(156)	(333)	(7,108)	(1,104)	(2,463)	(5,014)	-	-	(16,178)
Balance, March 31, 2017	$ 24,402,674	$ 14,416,171	$ 4,777,056	$ 632,262	$ 1,290,273	$ 907,855	$ 13,352	$ 4,826,019	$ 51,265,662

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Leased Assets	Total
Accumulated depreciation and impairment								
Balance, January 1, 2018	$ 15,177	$ 6,779,143	$ 4,011,489	$ 553,023	$ 1,130,910	$ 793,214	$ 1,748	$ 13,284,704
Disposals	-	-	(49,092)	(21,800)	(13,358)	(9,617)	-	(93,867)
Depreciation expenses	-	160,276	79,361	7,995	19,190	13,164	584	280,570
Reclassification	-	(756)	170	-	(170)	-	-	(756)
Effects of exchange rate changes	-	(79)	(1,609)	(641)	(193)	(1,153)	-	(3,675)
Balance, March 31, 2018	$ 15,177	$ 6,938,584	$ 4,040,319	$ 538,577	$ 1,136,379	$ 795,608	$ 2,332	$ 13,466,976
Balance, January 1, 2017	$ 15,177	$ 6,550,345	$ 4,068,785	$ 537,914	$ 1,143,503	$ 775,067	$ -	$ 13,090,791
Disposals	-	-	(63,687)	(4,484)	(19,281)	(8,855)	-	(96,307)
Depreciation expenses	-	89,800	92,474	8,337	15,547	17,045	318	223,521
Effects of exchange rate changes	-	(228)	(4,909)	(940)	(1,089)	(2,191)	-	(9,357)
Balance, March 31, 2017	$ 15,177	$ 6,639,917	$ 4,092,663	$ 540,827	$ 1,138,680	$ 781,066	$ 318	$ 13,208,648

Taiwan Cooperative Bank, Ltd. (TCB) revalued its properties five times in 1979, 1998, 2007, 2011 and 2012. As March 31, 2018, the reserve for land revaluation increment tax (part of deferred tax liabilities) was $2,596,230 thousand.

Properties and equipment are depreciated on the straight-line method over service lives estimated as follows:

Buildings	
Main buildings	37 to 50 years
Equipment installed in buildings	10 to 15 years
Machinery and equipment	3 to 10 years
Transportation equipment	4 to 10 years
Other equipment	2 to 20 years
Leasehold improvements	2 to 10 years
Leased assets	7 to 10 years

As of March 31, 2017, the Company's prepayments for equipment, land and buildings and construction in progress pertained to the construction of the head office. Constructions of the head office have been completed and accepted in 2017, and the property under construction has been transferred to accounting items such as buildings.

In testing assets for impairment, TCB defined each operating unit or operating segment as a cash-generating unit (CGU). The recoverable amount of a CGU was determined at its value in use for properties and equipment. The discount rates for the CGUs' value in use were 9.34%, 9.34% and 8.84% as of March 31, 2018, December 31, 2017 and March 31, 2017, respectively.

20. INTANGIBLE ASSETS

	March 31, 2018	December 31, 2017	March 31, 2017
Goodwill	$ 3,170,005	$ 3,170,005	$ 3,170,005
Computer software	378,943	418,485	415,968
	$ 3,548,948	$ 3,588,490	$ 3,585,973

Except for amortization expenses recognized and the reclassification of intangible assets, the Company had no significant addition, disposal and impairment on intangible assets during the three months ended March 31, 2018 and 2017.

The computer software with limited useful lives is amortized on a straight-line basis by the useful lives in 3 to 10 years.

In testing assets for impairment, TCB defined each operating unit or operating segment as a cash-generating unit (CGU). The recoverable amount of a CGU was determined at its value in use for goodwill impairment test. The discount rates for the CGUs' value in use were 9.34%, 9.34% and 8.84% as of March 31, 2018, December 31, 2017 and March 31, 2017, respectively.

Goodwill resulting from merger of Taiwan Cooperative Bank, Ltd. with the Farmers Bank of China was allocated to operating units or operating segment (cash-generating units with allocated goodwill). There was no impairment loss on goodwill as of March 31, 2018, December 31, 2017 and March 31, 2017.

21. OTHER ASSETS, NET

	March 31, 2018	December 31, 2017	March 31, 2017
Refundable deposits	$ 1,342,286	$ 1,351,040	$ 1,418,293
Operating deposits and settlement funds	673,012	656,122	653,728
Prepaid expenses	643,638	290,452	3,333,200
Collaterals assumed, net	255,144	255,144	260,289
Others	123,528	165,943	96,063
	$ 3,037,608	$ 2,718,701	$ 5,761,573

Of the prepaid expenses as of March 31, 2018, an amount of $2,650,112 thousand referred to TCB's investment in its overseas branches.

22. DUE TO THE CENTRAL BANK AND OTHER BANKS

	March 31, 2018	December 31, 2017	March 31, 2017
Due to banks	$ 124,754,156	$ 123,644,372	$ 115,328,317
Call loans from banks	135,785,491	94,450,481	118,998,615
Deposits from Chunghwa Post Co., Ltd.	3,349,861	3,920,100	5,299,331
Bank overdraft	984,583	5,355,483	191,998
Due to the Central Bank	356,574	426,995	410,462
	$ 265,230,665	$ 227,797,431	$ 240,228,723

23. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold for $52,697,130 thousand, $42,299,838 thousand and $45,337,608 thousand under repurchase agreements as of March 31, 2018, December 31, 2017 and March 31, 2017, respectively, would subsequently be purchased for $52,712,568 thousand, $42,313,248 thousand and $45,354,894 thousand respectively.

24. COMMERCIAL PAPER ISSUED, NET

The face values of commercial paper issued were $25,850,000 thousand, $25,670,000 thousand and $18,258,000 thousand and the annual discount rates were from 0.528%-0.898% from 0.518%-0.878% and from 0.523%-0.888% as of March 31, 2018, December 31, 2017 and March 31, 2017, respectively, and the commercial paper will mature by June 15, 2018, March 5, 2018 and May 4, 2017, respectively. The foregoing commercial paper was accepted and guaranteed by financial institutions. As of March 31, 2018, the Company had not used the amount of $46,095,677 thousand, the sum of the amount of the commercial paper issued and the credit.

25. PAYABLES

	March 31, 2018	December 31, 2017	March 31, 2017
Checks for clearing	$ 6,602,019	$ 23,198,709	$ 11,856,843
Accrued expenses	5,373,347	4,907,434	5,056,876
Accrued interest	5,202,864	4,400,473	4,441,131
Collections of notes and checks for various financial institutions in other cities	4,849,367	627,378	5,142,341
Collections payable	4,576,607	4,250,682	4,728,033
Payable on securities	4,340,375	143,746	1,722,920
Acceptances	3,551,961	4,147,242	3,267,369
Settlement consideration	2,448,220	2,161,587	2,558,956
Settlement payable	1,900,004	2,225,066	1,960,421
Payables on notes and checks collected for others	1,405,538	257,935	2,693,783
Tax payable	437,063	515,888	422,117
Dividends payable	274,604	274,604	244,503
Payables for short-sale transactions	181,529	353,844	200,164
Deposits on short-sale transactions	168,252	326,490	183,663
Factored accounts payable	101,602	107,321	290,108
Insurance claims and benefits payable	37,730	83,934	59,245
Others	2,201,414	3,350,339	2,113,782
	$ 43,652,496	$ 51,332,672	$ 46,942,255

26. DEPOSITS AND REMITTANCES

	March 31, 2018	December 31, 2017	March 31, 2017
Deposits			
Checking	$ 34,632,232	$ 46,902,524	$ 36,428,305
Demand	492,510,395	525,366,293	471,861,913
Savings - demand	825,735,539	805,892,649	799,056,655
Time	511,110,810	490,573,073	460,046,238
Negotiable certificates of deposit	15,902,866	12,392,500	1,487,900
Savings - time	640,757,252	647,817,790	664,855,801
Treasury	88,939,461	93,750,404	79,881,752
Remittances	207,891	845,343	395,498
	$ 2,609,796,446	$ 2,623,540,576	$ 2,514,014,062

27. BONDS PAYABLE

Details of bank debentures issued by Taiwan Cooperative Bank, Ltd. (TCB) are as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
First subordinated bonds in 2010: TCB's floating interest rate for 1-year time deposit plus 0.25%; maturity - June 21, 2017	$ -	$ -	$ 8,000,000
Second subordinated bonds in 2010, Type A: Reuters' fixing rate for 90 day's New Taiwan dollar commercial paper refers to the Taipei Interbank Offered Rate (TAIBOR) plus 0.15%; maturity - October 25, 2017	-	-	3,000,000
Second subordinated bonds in 2010, Type B: Fixed rate of 1.45%; maturity - October 25, 2017	-	-	1,000,000
First subordinated bonds in 2011, Type A: Reuters' fixing rate for 90 day's New Taiwan dollar commercial paper refers to the TAIBOR plus 0.15%; maturity - May 25, 2018	7,300,000	7,300,000	7,300,000
First subordinated bonds in 2011, Type B: Fixed rate of 1.65%; maturity - May 25, 2018	2,700,000	2,700,000	2,700,000
Second subordinated bonds in 2011, Type A: Reuters' fixing rate for 90 day's New Taiwan dollar commercial paper refers to the TAIBOR plus 0.25%; maturity - July 28, 2018	1,200,000	1,200,000	1,200,000
Second subordinated bonds in 2011, Type B: Fixed rate of 1.70%; maturity - July 28, 2018	3,410,000	3,410,000	3,410,000
First subordinated bonds in 2012: Fixed rate of 1.65%; maturity - June 28, 2022	11,650,000	11,650,000	11,650,000
Second subordinated bonds in 2012, Type A: Fixed rate of 1.43%; maturity - December 25, 2019	1,000,000	1,000,000	1,000,000
Second subordinated bonds in 2012, Type B: Fixed rate of 1.55%; maturity - December 25, 2022	7,350,000	7,350,000	7,350,000
First subordinated bonds in 2013, Type A: Reuters' fixing rate for 90 day's New Taiwan dollar commercial paper refers to the TAIBOR plus 0.43%; maturity - March 28, 2020	4,000,000	4,000,000	4,000,000
First subordinated bonds in 2013, Type B: Fixed rate of 1.48%; maturity - March 28, 2020	3,500,000	3,500,000	3,500,000
Second subordinated bonds in 2013, Type A: Fixed rate of 1.72%; maturity - December 25, 2020	900,000	900,000	900,000
Second subordinated bonds in 2013, Type B: Reuters' fixing rate for 90 day's New Taiwan dollar commercial paper refers to the TAIBOR plus 0.45%; maturity - December 25, 2023	4,600,000	4,600,000	4,600,000
First subordinated bonds in 2014, Type A: Fixed rate of 1.70%; maturity - May 26, 2021	1,500,000	1,500,000	1,500,000

(Continued)

	March 31, 2018	December 31, 2017	March 31, 2017
First subordinated bonds in 2014, Type B: Fixed rate of 1.85%; maturity - May 26, 2024	$ 2,700,000	$ 2,700,000	$ 2,700,000
First subordinated bonds in 2014, Type C: Fixing rate for 90 day's New Taiwan dollar commercial paper refers to the Taiwan Bills Index Rate 02 plus 0.43%; maturity - May 26, 2024	5,800,000	5,800,000	5,800,000
First subordinated bonds in 2016, Type A: Fixed rate of 1.09%; maturity - September 26, 2023	950,000	950,000	950,000
First subordinated bonds in 2016, Type B: Fixed rate of 1.20%; maturity - September 26, 2026	4,050,000	4,050,000	4,050,000
First subordinated bonds in 2017, Type A: Fixed rate of 1.32%; maturity - September 26, 2024	600,000	600,000	-
First subordinated bonds in 2017, Type B: Fixed rate of 1.56%; maturity - September 26, 2027	1,400,000	1,400,000	-
	$ 64,610,000	$ 64,610,000	$ 74,610,000

(Concluded)

To expand its long-term USD capital, the TCB applied for the issuance of unsecured bank debentures amounting to US$1,000,000 thousand. The application was approved by the Financial Supervisory Commission (FSC) on January 22, 2015. The TCB issue unsecured bank debentures with an aggregate face value of US$400,000 thousand, consisting of type A bonds worth US$300,000 thousand with 0% interest rate and type B bonds worth US$100,000 thousand with 0% interest rate; the TCB may exercise its redemption rights at an agreed price after two years and three years, respectively, from the issue dates. If the TCB do not exercise its redemption rights during issue period, all unsecured bank debentures will be refunded on settlement date, March 30, 2045. To lower exposure to adverse changes in interest rates, the TCB enters into interest rate swap contracts measured at fair value through profit or loss and to eliminate a measurement or recognition inconsistency, the unsecured bank debentures are reclassified as designated as at FVTPL upon initial recognition. They were as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Unsecured bank debentures bonds issued in 2015, Type A	$ 8,181,324	$ 8,766,846	$ 8,713,872
Unsecured bank debentures bonds issued in 2015, Type B	2,726,359	2,921,445	2,903,965
	$ 10,907,683	$ 11,688,291	$ 11,617,837

TCB has been approved by the FSC to issue unsecured subordinated bonds amounting to $6,000,000 thousand on May 18, 2017. As of March 31, 2018, the amount of unissued unsecured subordinated bonds of TCB was $4,000,000 thousand.

28. OTHER BORROWINGS

	March 31, 2018		December 31, 2017		March 31, 2017	
	Amount	Rate (%)	Amount	Rate (%)	Amount	Rate (%)
Short-term borrowings (Note 24)	$ 1,401,663	0.860-5.655	$ 800,027	0.870-5.438	$ 1,332,666	0.870-4.785

29. PROVISIONS

	March 31, 2018	December 31, 2017	March 31, 2017
Reserve for life insurance liabilities	$ 30,633,264	$ 30,664,563	$ 31,033,296
Reserve for insurance contracts with financial instrument features	11,209,725	11,238,116	11,423,897
Provision for employee benefits	6,587,736	6,735,769	6,500,074
Provision for losses on guarantees	1,391,334	1,426,350	1,554,400
Provision for losses on loan commitment	213,991	-	-
Others	460,591	399,697	354,081
	$ 50,496,641	$ 50,464,495	$ 50,865,748

a. Details of reserve for life insurance liabilities were as follows:

	March 31, 2018		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Life insurance	$ 11,501,094	$ 6,942,005	$ 18,443,099
Health insurance	404,062	-	404,062
Annuity insurance	-	11,717,087	11,717,087
Investment insurance	68,809	-	68,809
	11,973,965	18,659,092	30,633,057
Less: Ceded life insurance liability reserve	-	-	-
	$ 11,973,965	$ 18,659,092	$ 30,633,057

	December 31, 2017		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Life insurance	$ 11,016,350	$ 7,255,847	$ 18,272,197
Health insurance	373,446	-	373,446
Annuity insurance	-	11,956,092	11,956,092
Investment insurance	62,828	-	62,828
	11,452,624	19,211,939	30,664,563
Less: Ceded life insurance liability reserve	-	-	-
	$ 11,452,624	$ 19,211,939	$ 30,664,563

	March 31, 2017		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Life insurance	$ 9,606,371	$ 8,525,887	$ 18,132,258
Health insurance	296,837	-	296,837
Annuity insurance	-	12,533,204	12,533,204
Investment insurance	70,997	-	70,997
	9,974,205	21,059,091	31,033,296
Less: Ceded life insurance liability reserve	-	-	-
	$ 9,974,205	$ 21,059,091	$ 31,033,296

The changes in the reserve for life insurance liabilities are summarized below:

	For the Three Months Ended March 31					
	2018			2017		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Balance, January 1	$ 11,452,624	$ 19,211,939	$ 30,664,563	$ 9,533,081	$ 21,021,427	$ 30,554,508
Provision	597,876	83,950	681,826	506,882	883,649	1,390,531
Recovery	(76,535)	(636,797)	(713,332)	(65,758)	(845,985)	(911,743)
Ending balance	11,973,965	18,659,092	30,633,057	9,974,205	21,059,091	31,033,296
Less: Ceded life insurance liability reserve	-	-	-	-	-	-
Balance, March 31	$ 11,973,965	$ 18,659,092	$ 30,633,057	$ 9,974,205	$ 21,059,091	$ 31,033,296

As of March 31, 2018, December 31, 2017 and March 31, 2017, total life policy reserve carrying amounts (including reserve of policyholders payables) of $30,633,264 thousand, $30,664,563 thousand and $31,033,296 thousand.

b. Details of liability adequacy reserves are as follows:

	Insurance Contracts and Financial Instruments with Discretionary Participation Features		
	March 31, 2018	December 31, 2017	March 31, 2017
Life insurance liability reserve	$ 30,633,057	$ 30,664,563	$ 31,033,296
Unearned premium reserve	197,330	182,508	151,513
Premium deficiency reserve	16,729	24,456	37,882
Claims reserve	59,026	43,213	34,890
Book value of insurance reserve	$ 30,906,142	$ 30,914,740	$ 31,257,581
Present value of discounted cash flows	$ 27,349,167	$ 27,550,841	$ 27,915,904
Balance of liability adequacy reserve	$ -	$ -	$ -

As of March 31, 2018, December 31, 2017 and March 31, 2017, the Company's reserves for insurance contracts satisfied the liability adequacy tests.

The liability adequacy test method, scope and assumptions were as follows:

	March 31, 2018, December 31, 2017 and March 31, 2017
Test method	Total premium measurement method
Tested group	All insurance contracts as a whole
Assumptions	The discount rate assumption for every year was based on the best estimate scenario as well as the rate of return on investment with current information

c. Reserve for insurance contracts with financial instrument features were as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Life insurance	$ 11,209,725	$ 11,238,116	$ 11,423,897

	For the Three Months Ended March 31	
	2018	2017
Balance, January 1	$ 11,238,116	$ 11,511,953
Insurance claim payments for the period	(79,144)	(140,079)
Reserve for insurance contracts with financial instrument features	50,753	52,023
Balance, March 31	$ 11,209,725	$ 11,423,897

d. Explanations for the reserve of foreign exchange variation are as follows:

1) Hedging strategy and foreign exchange exposure

To ensure the effectiveness and appropriateness of hedge for overseas investment, BNP Paribas Cardif TCB Life Insurance Co., Ltd. (BPCTLI) uses cross-currency swap and currency swap to hedge exchange rate risks. BPCTLI maintains the hedging ratio at over 95%.

2) Reconciliation of the reserve of foreign exchange variation

	For the Three Months Ended March 31	
	2018	**2017**
Balance, January 1	$ 149,520	$ 145,987
Provisions		
Compulsory provisions	3,228	2,695
Additional provisions	43,249	-
	46,477	2,695
Recovery	(8,491)	(18,886)
Balance, March 31	$ 187,506	$ 129,796

3) Impact of the reserve of foreign exchange variation

For the three months ended March 31, 2018

Items	Amount Without Reserve	Amount With Reserve	Effect
Net income	$ 3,873,048	$ 3,842,659	$ (30,389)
Earnings per share (NT$)	0.31	0.30	(0.01)
Reserve of foreign exchange variation	-	187,506	187,506
Equity	210,564,289	210,384,981	(179,308)

For the three months ended March 31, 2017

Items	Amount Without Reserve	Amount With Reserve	Effect
Net income	$ 3,479,170	$ 3,495,361	$ 16,191
Earnings per share (NT$)	0.28	0.28	-
Reserve of foreign exchange variation	-	129,796	129,796
Equity	202,367,066	202,237,270	(129,796)

e. Net changes in reserves for insurance liabilities are summarized below:

	For the Three Months Ended March 31	
	2018	**2017**
Reserve for life insurance liabilities, net	$ (31,506)	$ 478,788
Reserve for insurance contract with financial instrument features, net	50,753	52,023
Others, net	56,966	4,242
	$ 76,213	$ 535,053

f. Provisions for employee benefits are summarized below:

	March 31, 2018	December 31, 2017	March 31, 2017
Net defined benefit liabilities	$ 2,617,557	$ 2,727,448	$ 2,531,911
Present value of retired employees' preferential interest deposit obligation	3,970,179	4,008,321	3,968,163
	$ 6,587,736	$ 6,735,769	$ 6,500,074

g. The changes in the provision for losses on guarantees and provision for losses on loan commitment are summarized below:

	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2018	$ 1,048,697	$ 3,065	$ 30,229	$ 1,081,991	$ 504,945	$ 1,586,936
Changes from financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(269)	269	-	-	-	-
Credit-impaired financial assets	(67)	-	67	-	-	-
12-month ECL	11	(11)	-	-	-	-
Derecognition of financial assets in the current reporting period	(56,548)	(418)	(4,676)	(61,642)	-	(61,642)
Reversal from financial instruments recognized at the beginning of the current reporting period	(55,503)	(777)	1,085	(55,195)	-	(55,195)
New financial assets purchased or originated	108,378	217	-	108,595	-	108,595
Difference of impairment loss under regulations	-	-	-	-	28,065	28,065
Change in exchange rates and other changes	(1,444)	10	-	(1,434)	-	(1,434)
Balance at March 31, 2018	$ 1,043,255	$ 2,355	$ 26,705	$ 1,072,315	$ 533,010	$ 1,605,325

The changes in provision for losses on guarantees are summarized below:

	For the Three Months Ended March 31, 2017
Balance, January 1	$ 1,415,708
Provision for losses on guarantees	139,074
Effects of exchange rate changes	(382)
Balance, March 31	$ 1,554,400

30. EMPLOYEE BENEFITS PLAN

a. Defined contribution plan

The pension plan under the Labor Pension Act (the Act) is a defined contribution plan. Based on the Act, the Company's monthly contributions to individual pension accounts of employees covered by the defined contribution plan is at 6% of monthly salaries and wages. The funds are deposited in individual labor pension accounts at the Bureau of Labor Insurance.

The Company recognized expense of $42,058 thousand and $42,207 thousand in the consolidated statement of comprehensive income for the three months ended March 31, 2018 and 2017, respectively, in accordance with the defined contribution plan.

b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. TCB amounts equal to 15% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the Bureau); TCB has no right to influence the investment policy and strategy. Pension contributions are deposited in the Company of Taiwan in the committee's name. Before the end of each year, TCB assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, TCB is required to fund the difference in one appropriation that should be made before the end of March of the next year.

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

For the three months ended March 31, 2018 and 2017, the pension expenses under defined benefit plan recognized in the consolidated statements of comprehensive income amounted to $205,500 thousand and $213,916 thousand, respectively. For more information about the defined benefit plan, refer to Note 28 of the consolidated financial statements for the year ended December 31, 2017.

c. Employees' preferential deposit plan

The TCB's payment obligations on fixed-amount preferential interest deposits for retired employees and current employees after retirement are in compliance with the TCB's internal rules. Under the Guidelines Governing the Preparation of Financial Reports by Public Banks, the TCB should determine the excess interest from the preferential interest deposits of employees by applying an actuarial valuation method when the employees retire.

For the three months ended March 31, 2018 and 2017, the employee preferential deposit expense under employee's preferential deposit plan recognized in the consolidated statements of comprehensive income amounted to $166,694 thousand and $199,795 thousand, respectively. For more information about the employee preferential deposit plan, refer to Note 28 of the consolidated financial statements for the year ended December 31, 2017.

31. OTHER FINANCIAL LIABILITIES

	March 31, 2018	December 31, 2017	March 31, 2017
Structured products - host contracts	$ 1,194,430	$ 2,133,279	$ 2,986,833
Guarantee deposits received	1,347,992	1,605,813	1,637,554
Appropriation for loans	35,567	46,770	326,822
Lease payables	24,064	11,808	13,076
Separate-account liabilities	93,864,917	95,247,471	88,140,173
	$ 96,466,970	$ 99,045,141	$ 93,104,458

The status of the Company's investment-linked products - separate account as of March 31, 2018, December 31, 2017 and March 31, 2017, are summarized as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Fund assets for investment-linked products (part of other financial assets)			
Cash	$ 970,283	$ 394,362	$ 559,993
Beneficial certificates	92,493,926	94,096,991	86,434,415
Other receivables	400,708	756,118	1,145,765
	$ 93,864,917	$ 95,247,471	$ 88,140,173
Fund liabilities for investment-linked products (part of other financial liabilities)			
Reserve for investment-linked products	$ 93,554,716	$ 94,730,693	$ 87,438,949
Other payables	310,201	516,778	701,224
	$ 93,864,917	$ 95,247,471	$ 88,140,173

	For the Three Months Ended March 31	
	2018	2017
Income on investment-linked products		
Premium income	$ 3,785,240	$ 4,868,912
Unrealized gains on financial instruments	-	606,045
Others	134,879	96,896
	$ 3,920,119	$ 5,571,853
Expense for investment-linked products		
Unrealized losses on financial instruments	$ 2,147,027	$ -
Insurance claims and surrender	1,612,373	1,571,936
Losses on foreign exchange	617,825	2,225,434
Losses on disposal of investments	270,706	229,517
Insurance fees	126,823	103,747
Service charge and maintenance fees	46,040	48,379
Net investment-linked product provision of insurance reserves	(900,675)	1,392,840
	$ 3,920,119	$ 5,571,853

Income from and expense for investment-linked products were recognized under premium income, net.

32. OTHER LIABILITIES

	March 31, 2018	December 31, 2017	March 31, 2017
Advance receipts	$ 1,683,088	$ 1,501,857	$ 1,841,162
Others	129,290	90,048	84,982
	$ 1,812,378	$ 1,591,905	$ 1,926,144

33. NET INTEREST

	For the Three Months Ended March 31	
	2018	2017
Interest revenue		
From discounts and loans	$ 10,226,357	$ 9,709,883
From investments	2,459,706	2,243,706
From due from banks and call loans to other banks	731,724	541,437
Others	388,452	407,611
	13,806,239	12,902,637
Interest expense		
From deposits	(4,206,662)	(3,833,700)
From funds borrowing from the Central Bank and other banks	(395,046)	(321,625)
From subordinated bank debentures	(217,365)	(245,418)
From due to the Central Bank and other banks	(160,915)	(121,186)
From securities sold under repurchase agreements	(63,318)	(45,257)
From structure products	(11,745)	(3,298)
Others	(19,110)	(10,484)
	(5,074,161)	(4,580,968)
	$ 8,732,078	$ 8,321,669

34. SERVICE FEE AND COMMISSION INCOME, NET

	For the Three Months Ended March 31	
	2018	2017
Service fee and commission revenues		
From trust business	$ 450,354	$ 288,882
From insurance service	242,651	271,915
From guarantee	189,341	171,155
From credit cards	140,981	132,152
From management fees of investment-linked products	149,505	131,791
From loans	178,723	97,362
From brokerage service	102,057	73,636
Others	462,458	477,211
	1,916,070	1,644,104

(Continued)

	For the Three Months Ended March 31	
	2018	2017
Service charge and commission expenses		
From cross-bank transactions	$ (81,787)	$ (72,123)
From credit cards	(51,426)	(49,587)
From insurance business	(85,590)	(37,206)
From credit cards acquiring	(29,556)	(31,123)
From custody	(19,609)	(13,771)
Others	(47,278)	(44,365)
	(315,246)	(248,175)
	$ 1,600,824	$ 1,395,929

(Concluded)

35. PREMIUM INCOME, NET

	For the Three Months Ended March 31	
	2018	2017
Premium income		
Income on investment-linked products (Note 31)	$ 3,920,119	$ 5,571,853
Premium income	1,085,023	1,640,409
	5,005,142	7,212,262
Premium losses		
Expense for investment-linked products (Note 31)	(3,920,119)	(5,571,853)
Insurance claims and benefits	(776,077)	(963,470)
Reinsurance premium ceded	(40,233)	(25,760)
Others	(15,580)	(14,500)
	(4,752,009)	(6,575,583)
	$ 253,133	$ 636,679

36. GAINS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	For the Three Months Ended March 31, 2018				
	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Dividend Income	Total
Financial assets mandatorily classified as at fair value through profit or loss	$ 138,796	$ 4,671,613	$ (1,385,393)	$ 49,753	$ 3,474,769
Financial assets designated as at fair value through profit or loss	1,747	-	7,808	-	9,555
Held-for-trading financial liabilities	-	(2,120,705)	(1,259,599)	-	(3,380,304)
Financial liabilities designated as at fair value through profit or loss	(131,008)	-	536,065	-	405,057
	$ 9,535	$ 2,550,908	$ (2,101,119)	$ 49,753	$ 509,077

	For the Three Months Ended March 31, 2017				
	Interest Revenue (Expense)	Gain (Loss) on Disposal	Loss on Valuation	Dividend Income	Total
Held-for-trading financial assets	$ 99,994	$ 5,148,795	$ (269,606)	$ 2,219	$ 4,981,402
Held-for-trading financial liabilities	-	(3,262,845)	(2,630,758)	-	(5,893,603)
Financial liabilities designated as at fair value through profit or loss	(132,804)	-	(16,689)	-	(149,493)
	$ (32,810)	$ 1,885,950	$ (2,917,053)	$ 2,219	$ (1,061,694)

37. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

a. Employee benefits expenses

	For the Three Months Ended March 31	
	2018	2017
Salaries	$ 2,151,002	$ 2,072,355
Incentives	699,900	700,876
Excessive interest from preferential interest deposits	267,699	305,405
Post-employment benefits, termination benefits and compensation	378,619	261,554
Overtime	98,022	91,781
Others	426,849	425,659
	$ 4,022,091	$ 3,857,630

Under the amended Articles, TCFHC will make distributions at percentages from 0.01% to 0.08% and up to 1% of its annual profit (pretax income which exclude compensations of employees and remuneration to directors) for the employees' compensation and directors' remuneration, respectively. However, the actual appropriation of the compensation and remuneration should be made only from the annual net income less any accumulated deficit. For the three months ended March 31, 2018 and 2017, compensations of employees were estimated at $597 thousand and $649 thousand and the remuneration of directors were estimated at $20,537 thousand and $18,880 thousand, respectively, based on the amended Articles and past experiences.

Material differences between such estimated amounts and the amounts approved by the board of directors on or before the annual consolidated financial statements are authorized for issue are adjusted in the year the compensation and remuneration were recognized. If there is a change in the approved amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.

The appropriations of employees' compensation and remuneration of directors for 2017 and 2016 approved by the board of directors on March 23, 2018 and March 27, 2017, respectively, were as follows:

	For the Year Ended December 31	
	2017	2016
Employees' compensation - cash	$ 2,183	$ 2,031
Remuneration of directors - cash	78,996	76,005

There was no difference between the amounts of the employees' compensation and remuneration of directors approved by the board of directors and the amounts recognized in the consolidated financial statements.

Information on the employees' compensation and remuneration of directors approved by the TCFHC's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange (http://emops.tse.com.tw).

b. Depreciation and amortization expenses

	For the Three Months Ended March 31	
	2018	**2017**
Depreciation expenses	$ 295,701	$ 232,360
Amortization expenses	44,058	47,108
	$ 339,759	$ 279,468

38. INCOME TAX

a. Income tax recognized in profit or loss

Main components of income tax expense were as follows:

	For the Three Months Ended March 31	
	2018	**2017**
Current tax		
Current period	$ 1,396,105	$ 1,250,402
Deferred tax		
Current period	(651,439)	(799,524)
Effect of change in tax rate	(36,734)	-
Income tax expense recognized in profit or loss	$ 707,932	$ 450,878

The Income Tax Act in the ROC was amended in 2018 and the corporate income tax rate was adjusted from 17% to 20% effective in 2018. The effect of the change in tax rate on deferred tax income to be recognized in profit is $193,980 thousand (including income tax benefits recognized in profit or loss and other comprehensive income of $163,012 and $30,968, respectively), of which $126,278 thousand has not been recognized as of March 31, 2018. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	For the Three Months Ended March 31	
	2018	2017
Deferred tax		
Recognized in other comprehensive income - items that may be reclassified subsequently to profit or loss		
Exchange differences on the translation of financial statements of foreign operations	$ (100,082)	$ (120,893)
Unrealized gains on available-for-sale financial assets	-	24,284
Unrealized gains on financial assets at fair value through other comprehensive income	(106,697)	-
Other comprehensive income on reclassification of overlay approach	(2,571)	-
Effect of change in tax rate	(30,968)	-
Total income tax recognized in other comprehensive income	$ (240,318)	$ (96,609)

c. Deferred tax assets and liabilities

	March 31, 2018	December 31, 2017	March 31, 2017
Deferred tax assets			
Temporary differences			
Financial instruments at fair value through other comprehensive income	$ 44,196	$ -	$ -
Available-for-sale financial assets	-	2,957	597
Properties and equipment	10,332	8,921	9,225
Payable for annual leave	108,062	70,741	89,882
Defined benefit obligation	-	29	26,344
Employee’s preferential interest deposit obligation	794,036	681,415	674,588
Other liabilities	5,714	4,955	4,905
Exchange differences on foreign operations	388,337	229,400	110,932
Allowance for possible losses	89,363	77,976	74,164
Collaterals assumed	372	316	316
Financial instruments at fair value through profit or loss	434,989	40,905	417,936
Pension liabilities	594	488	771
Employee benefit	900	1,020	1,785
Unrealized interest expense	327,959	256,494	186,273
Unrealized foreign exchange losses	229,051	131,284	43,654
Revenue from disposal of acquired loans	111,457	94,738	54,821
Reclassification of overlay approach	1,653	-	-
	$ 2,547,015	$ 1,601,639	$ 1,696,193

(Continued)

	March 31, 2018	December 31, 2017	March 31, 2017
Deferred tax liabilities			
Temporary differences			
Financial instruments at fair value through profit or loss	$ 341	$ 1,229	$ 1,567
Available-for-sale financial assets	-	19,093	9,731
Intangible assets	428,614	364,322	364,322
The reserve for land revaluation increment tax	2,596,230	2,596,230	2,596,230
Investments accounted for using equity method	42,710	32,884	10,584
Collaterals assumed	466	397	397
Lease incentive	7,233	5,528	4,997
Others	17,619	14,187	11,502
	$ 3,093,213	$ 3,033,870	$ 2,999,330

(Concluded)

d. The years for which TCFHC and other subsidiaries' income tax returns had been examined by tax authorities were as follows:

TCFHC	TCB	CAM	TCBF	TCS	BPCTLI	TCSIT	TCVC
2012	2012	2012	2012	2012	2015	2014	2015

39. EARNINGS PER SHARE

	Net Income (Numerator)	Shares (Denominator in Thousands)	Earnings Per Share (NT$)
For the three months ended March 31, 2018			
Basic earnings per share (EPS)	$ 3,713,385	12,202,704	$ 0.30
Effect of dilutive common stock:			
Employees' compensation	-	150	
Diluted EPS	$ 3,713,385	12,202,854	$ 0.30
For the three months ended March 31, 2017			
Basic EPS	$ 3,377,256	12,202,704	$ 0.28
Effect of dilutive common stock:			
Employees' compensation	-	176	
Diluted EPS	$ 3,377,256	12,202,880	$ 0.28

The weighted-average number of shares outstanding for EPS calculation has been retroactively adjusted to reflect the effects of the stock dividends distributed in the year following earning appropriation.

	For the Three Months Ended March 31, 2017	
	Before Adjusted Retrospectively	**After Adjusted Retrospectively**
Basic EPS (NT$)	$ 0.29	$ 0.28
Diluted EPS (NT$)	$ 0.29	$ 0.28

The Company can elect to distribute employees' compensation by stock or by cash. If the compensation is in the form of shares, the Company should presume that the entire amount of the compensation will be settled in shares, and the resulting potential shares should be included in the weighted average number of shares outstanding to be used in calculating diluted earnings per share (EPS) if the shares have a dilutive effect. The dilutive effects of the potential shares needs to be included in the calculation of diluted EPS until the stockholders resolve the number of shares to be distributed to employees in the following year.

40. EQUITY

a. Capital stock

Common stocks

	March 31, 2018	December 31, 2017	March 31, 2017
Numbers of shares authorized (in thousands)	15,000,000	15,000,000	12,000,000
Authorized capital	$ 150,000,000	$ 150,000,000	$ 120,000,000
Number of shares issued and fully paid (in thousands)	12,202,704	12,202,704	11,847,285
Common stocks issued	$ 122,027,036	$ 122,027,036	$ 118,472,850

Fully paid common stocks, which have a par value of $10, carry one vote per share and carry a right to dividends.

On June 16, 2017, the board of directors of TCFHC resolved to issue 355,419 thousand shares, which included the 2016 earnings amounting to $3,554,186 thousand. This issuance was approved by FSC and the Ministry of Economic Affairs (MOEA).

b. Capital surplus

Under related regulations, capital surplus may only be used to offset a deficit. But capital surplus from the issuance of shares in excess of par value (including additional paid-in capital from the issuance of common shares and capital surplus from mergers and treasury stock transactions) and donations to the Company may be distributed as cash dividends or transferred to common stock on the basis of the percentage of shares held by the stockholders. Any capital surplus transferred to common stock should be within a certain percentage prescribed by law.

Under the Financial Holding Company Law and related directives issued by the Securities and Futures Bureau (SFB), the distribution of the ex-conversion unappropriated earnings that are generated by financial institutions (the subsidiaries) and become part of capital surplus of the financial holding company through a share swap is exempted from the appropriation restriction of the Securities and Exchange Law. These unappropriated earnings should be net of the appropriation of legal reserve or special reserve.

The capital surplus as of March 31, 2018 came from the issuance of shares in excess of par value and treasury stock transactions. Capital surplus sources and uses were as follows:

Sources

From subsidiaries	
Capital surplus (mainly additional paid-in capital from share issuance in excess of par value)	$ 27,783,766
Legal reserve	15,799,245
Special reserve	195,968
Unappropriated earnings	10,410,804
	54,189,783
Additional paid-in capital from TCFHC's share issuance in excess of par value	3,861,434
Cash dividends from TCFHC received by subsidiary	148,857
Additional paid-in capital from TCFHC's share issuance in excess of par value	12,642,000
Share-based payment for the subscription for TCFHC's new shares by the employees of TCFHC and its subsidiaries	618,750
	71,460,824
Uses	
Issuance of TCFHC's stock and cash dividends in 2012	(6,360,660)
Issuance of TCFHC's stock dividends in 2013	(1,625,333)
Subsidiary disposal of the shares of TCFHC regarded as reissue of treasury stock	(148,857)
Issuance of TCFHC's stock dividends in 2014	(4,307,133)
Issuance of TCFHC's stock dividends in 2015	(1,054,498)
	$ 57,964,343

c. Special reserve

For the first-time adoption of IFRSs, TCFHC should appropriate to a special reserve an amount that was the same as those of unrealized revaluation increment and cumulative translation differences (gains) transferred to retained earnings as a result of the Company's use of exemptions under IFRS 1. However, on the date of transitions to IFRSs, if the increase in retained earnings that resulted from all IFRSs adjustments is not enough for this appropriation, only the increase in retained earnings that resulted from all IFRSs adjustments will be appropriated to special reserve. The special reserve appropriated as above may be reversed in proportion to the usage, disposal or reclassification of the related assets and thereafter distributed. The special reserve appropriated for the first-time adoption of IFRSs may be used to offset deficits in subsequent years. No appropriation of earnings shall be made until any shortage of the aforementioned special reserve is appropriated in subsequent years if the Company has earnings and the original need to appropriate a special reserve is not eliminated.

The increase in retained earnings that resulted from all IFRSs adjustments was not enough for this appropriation; therefore, TCFHC appropriated to the special reserve an amount of $1,086,876 thousand on January 1, 2013, an increase in retained earnings that resulted from all IFRSs adjustments on transitions to IFRSs.

Information regarding the above special reserve appropriated or reversed on elimination of the original need to appropriate a special reserve was as follows:

	For the Three Months Ended March 31	
	2018	**2017**
Balance on January 1	$ 996,026	$ 996,026
Reversed on elimination of the original need to appropriate a special reserve:		
Disposal of properties and equipment	-	-
Balance on March 31	$ 996,026	$ 996,026

d. Appropriation of earnings

For expanding the business scale and enhancing the profitability, TCFHC adopts surplus dividend policy under the related law.

When TCFHC appropriated its earnings, legal reserve is appropriated from the annual net income less any accumulated deficit. A special reserve was then appropriated depending on regulation requirement and operation needs. Any remainder together with any undistributed retained earnings shall be used for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends.

Unless otherwise restricted by related regulations, TCFHC's policy indicates that cash dividends must be 10% or above of the total dividends and bonus distributed. If the cash dividend per share is less than NT$0.1, the cash dividend will not be distributed unless the distribution is resolved in the stockholders' meetings.

Under the Company Law, legal reserve should be appropriated until the reserve equals TCFHC's paid-in capital. This reserve should only be used to offset a deficit. When the reserve exceeds 25% of TCFHC's paid-in capital, the excess may be used to issue new shares or distribute cash dividends.

Under related regulations, a special reserve is appropriated from the balance of the retained earnings at an amount from the net income and unappropriated earnings that is equal to the debit balance of accounts in the stockholders' equity section (such as exchange differences in translation of financial statements of foreign operations and unrealized gains or losses on available-for-sale financial assets). The special reserve should be appropriated from the prior years' unappropriated earnings to the extent of the debit balance accumulated from prior years, and such special reserve should not be appropriated.

If there is difference between appropriation of special reserve and net amount of deduction in other stockholder's equity, the Company should appropriate on additional amount of special reserve in the first-time adoption of IFRSs. Afterwards, if there is any reversal in of the deduction in other stockholder's equity, the Company is allowed to appropriating retained earnings from the reversal amount.

The appropriations from the earnings of 2017 and 2016 were approved in the board of directors' meeting on March 23, 2018 and in the stockholders' meeting on June 16, 2017, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	2017	2016	2017	2016
Legal reserve	$ 1,431,780	$ 1,376,480		
Cash dividends	9,152,028	8,885,463	$0.75	$0.75
Stock dividends	3,660,811	3,554,186	0.30	0.30

Information on the appropriation of earnings is available on the Market Observation Post System website of the Taiwan Stock Exchange (http://emops.tse.com.tw).

e. Non-controlling interests

	For the Three Months Ended March 31	
	2018	2017
Balance on January 1	$ 4,344,256	$ 3,802,863
Effect of retrospective application and retrospective restatement	84,178	-
Balance of retrospective application and retrospective restatement at beginning	4,428,434	3,802,863
Attributable to non-controlling interests		
Net income	129,274	118,105
Exchange differences on the translation of financial statements of foreign operations	2,490	(8,831)
Unrealized losses on financial assets at FVTOCI	(261,742)	-
Other comprehensive income reclassification of overlay approach	5,067	-
Unrealized gains on available for sale financial assets	-	23,869
Balance on March 31	$ 4,303,523	$ 3,936,006

41. RELATED-PARTY TRANSACTIONS

Taiwan Cooperative Financial Holding Co., Ltd. is the ultimate parent of the Company, and the Ministry of Finance is the major government stockholder. Based on IAS 24 "Related Party Disclosures" the Company's transactions with government-related parties are exempt from disclosure requirements. All transactions, account balances, earnings, expenses and gains (losses) on transactions between the Company and subsidiaries have all been excluded from consolidation and are not disclosed in this note.

In addition to those mentioned in other notes, the related-party transactions are summarized as follows:

a. Related parties

Related Party	Relationship with the Company
United Real Estate Management Co., Ltd.	Associated enterprise
TCB Global Emerging Markets Equity Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
TCB Global High Yield Bond Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
Tamshui First Credit Bank	The director of Tamshui First Credit Bank is also the Company's director.
Others	Main management of the parent company and other related parties

b. Significant transactions between the Company and related parties:

1) Call loans to banks

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the three months ended March 31, 2018				
Others	$ 3,466,500	$ -	$ 6,970	0.350-4.150
For the three months ended March 31, 2017				
Others	$ 7,500,000	$ 1,800,000	$ 3,398	0.270-0.560

2) Due to banks

	For the Three Months Ended March 31			
	2018		2017	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Main management	$ 253,132	$ 364	$ 179,148	$ 279
Others				
Tamshui First Credit Bank	25,515,719	57,495	25,366,899	57,928
Others	19,092	-	36,385	-
	$ 25,787,943	$ 57,859	$ 25,582,432	$ 58,207

3) Call loans from banks

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the three months ended March 31, 2018				
Others	$ 1,746,000	$ -	$ 89	1.830

4) Loans

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the three months ended March 31, 2018				
Main management	$ 157,465	$ 148,503	$ 427	1.245-1.790
Others	55,136	50,948	179	1.137-2.465
	$ 212,601	$ 199,451	$ 606	
For the three months ended March 31, 2017				
Main management	$ 111,354	$ 100,464	$ 363	1.245-2.428
Others	50,324	43,756	189	1.260-2.240
	$ 161,678	$ 144,220	$ 552	

Under the Banking Law, except for customer loans and government loans, credits extended by TCB to any related party should be 100% secured, and the terms of credits extended to related parties should be similar to those for third parties.

5) Securities sold under repurchase agreements

	Ending Balance	Interest Expense	Interest Rate (%)
For the three months ended March 31, 2018			
Others	$ -	$ 4	0.400
For the three months ended March 31, 2017			
Others	$ 159,936	$ 48	0.340-0.370

6) Deposits

	Ending Balance	Interest Expense	Interest Rate (%)
For the three months ended March 31, 2018			
Associates	$ 118,780	$ 97	0-0.800
Main management	540,199	2,156	0-13.000
Others	8,245,279	7,313	0-13.000
	$ 8,904,258	$ 9,566	
For the three months ended March 31, 2017			
Associates	$ 171,173	$ 94	0-0.775
Main management	463,485	2,039	0-13.000
Others	9,021,450	6,549	0-13.000
	$ 9,656,108	$ 8,682	

	March 31, 2018	December 31, 2017	March 31, 2017
7) Accrued income (part of receivables)			
Others	$ 14,026	$ 14,224	$ 20,151
8) Accrued interest (part of receivables)			
Others	$ -	$ 7,154	$ 221
9) Accrued interest (part of payables)			
Others	$ -	$ 3	$ -
10) Receivable on securities (part of receivables)			
Others	$ 1,189	$ -	$ 16,808
11) Payable on securities (part of payables)			
Others	$ -	$ 1,475	$ -

	For the Three Months Ended March 31	
	2018	2017
12) Service fee income (part of service fee and commission income, net)		
Main management	$ 88	$ 45
Others	39,528	52,546
	$ 39,616	$ 52,591
13) Service charge (part of service fee and commission income, net)		
Main management	$ 10	$ 8
Others	2	1
	$ 12	$ 9
14) Rental income (part of other noninterest gain, net)		
Others	$ -	$ 3,153
15) Other income (part of other noninterest gain, net)		
Others	$ 2,598	$ 37

Terms of other transactions with related parties were similar to those for third parties, except for the more favorable interest rate for managers' savings within a prescribed limit.

16) Purchases and sales of securities

	For the Three Months Ended March 31, 2017			
Related Party	**Purchases**	**Sales**	**Sales Under Repurchase Agreements**	**Purchases Under Resell Agreements**
Others	$ -	$ -	$ 479,772	$ -

17) Derivatives

Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Consolidated Balance Sheet: Account	Amounts on the Consolidated Balance Sheet: Amounts
For the Three Months Ended March 31, 2018						
Other - TCB Global Emerging Markets Equity Fund	Currency swap	2018.03.13-2018.04.13	US$ 7,000	$ (1,289)	Financial liabilities at fair value through profit or loss	$ (1,289)
	Currency swap	2018.03.13-2018.04.13	US$ 1,000	(184)	Financial liabilities at fair value through profit or loss	(184)
Other - TCB Global High Yield Bond Fund	Currency swap	2018.03.13-2018.04.13	US$ 4,000	(737)	Financial liabilities at fair value through profit or loss	(737)
	Currency swap	2018.03.13-2018.04.13	US$ 9,500	(1,750)	Financial liabilities at fair value through profit or loss	(1,750)
	Currency swap	2018.01.10-2018.04.10	US$ 5,550	(1,601)	Financial liabilities at fair value through profit or loss	(1,601)
	Currency swap	2018.03.06-2018.04.11	US$ 15,250	(2,761)	Financial liabilities at fair value through profit or loss	(2,761)
	Currency swap	2018.03.19-2018.05.21	US$ 4,000	(483)	Financial liabilities at fair value through profit or loss	(483)
	Currency swap	2018.03.28-2018.04.30	US$ 10,000	(255)	Financial liabilities at fair value through profit or loss	(255)

Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Consolidated Balance Sheet: Account	Amounts on the Consolidated Balance Sheet: Amounts
For the Three Months Ended March 31, 2017						
Other - TCB Global Emerging Markets Equity Fund	Currency swap	2017.03.10-2017.05.10	US$ 7,000	$ (3,317)	Financial liabilities at fair value through profit or loss	$ (3,317)
	Currency swap	2017.03.20-2017.05.22	US$ 2,020	(589)	Financial liabilities at fair value through profit or loss	(589)
Other - TCB Global High Yield Bond Fund	Currency swap	2017.03.10-2017.05.10	US$ 1,000	(474)	Financial liabilities at fair value through profit or loss	(474)
	Currency swap	2017.03.10-2017.05.10	US$ 4,000	(1,896)	Financial liabilities at fair value through profit or loss	(1,896)
	Currency swap	2017.04.06-2017.05.10	US$ 3,000	(72)	Financial liabilities at fair value through profit or loss	(72)

The realized profit or loss resulted from the currency swap transactions with related parties was as follows:

	For the Three Months Ended March 31 2018	2017
Financial assets and liabilities at fair value through profit or loss		
Others	$ (24,086)	$ (16,820)

18) Loans

March 31, 2018

Type	Account Volume or Name	Highest Balance in the Three Months Ended March 31, 2018 (Note 1)	Ending Balance	Loan Classification: Normal Loans	Loan Classification: Nonperforming Loans	Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
Consumer loans	43	$ 75,768	$ 73,437	$ 73,437	$ -	Note 2	None
Self-used housing mortgage loans	31	136,833	126,014	126,014	-	Land and buildings	None

March 31, 2017

Type	Account Volume or Name	Highest Balance in the Three Months Ended March 31, 2017 (Note 1)	Ending Balance	Loan Classification: Normal Loans	Loan Classification: Nonperforming Loans	Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
Consumer loans	30	$ 44,761	$ 43,336	$ 43,336	$ -	Note 2	None
Self-used housing mortgage loans	26	116,917	100,884	100,884	-	Land and buildings	None

Note 1: The highest balance is the largest sum in the period of all daily accounts for each type.

Note 2: A portion of the consumer loans was real estate guaranteed.

c. Subsidiaries' related-party transactions and balances that each amounted to more than $100,000 thousand

1) Taiwan Cooperative Bank, Ltd.

a) Due from banks

	March 31, 2018	December 31, 2017	March 31, 2017
Subsidiaries	$ 598,503	$ 573,480	$ 539,666

b) Call loans to banks

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the three months ended March 31, 2018				
Subsidiaries	$ 8,439,151	$ 6,943,376	$ 14,453	0.001-2.600
Sister companies	2,100,000	-	587	0.350-0.430
Others	3,466,500	-	6,970	0.350-4.150
	$ 14,005,651	$ 6,943,376	$ 22,010	
For the three months ended March 31, 2017				
Subsidiaries	$ 6,739,470	$ 6,685,405	$ 7,153	0.001-2.700
Sister companies	3,500,000	1,200,000	1,552	0.350-0.560
Others	7,500,000	1,800,000	3,398	0.270-0.560
	$ 17,739,470	$ 9,685,405	$ 12,103	

c) Call loans to securities firms (part of other financial assets, net)

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the three months ended March 31, 2018				
Sister company				
TCS	$ 296,800	$ 291,000	$ 1,453	1.750-2.550
For the three months ended March 31, 2017				
Sister company				
TCS	$ 252,760	$ 242,640	$ 485	1.100-1.450

d) Due to banks

	For the Three Months Ended March 31			
	2018		2017	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Subsidiaries	$ 761	$ -	$ 2,904	$ -
Main management	253,132	364	179,148	279
Others				
Tamshui First Credit Bank	25,515,719	57,495	25,366,899	57,928
Others	19,092	-	36,385	-
	$ 25,788,704	$ 57,859	$ 25,585,336	$ 58,207

e) Call loans from banks

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the three months ended March 31, 2018				
Others	$ 1,746,000	$ -	$ 89	1.830

f) Loans

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the three months ended March 31, 2018				
Sister companies	$ 33,000	$ -	$ 2	2.265
Main management	157,465	148,503	427	1.245-1.790
Others	55,136	50,948	179	1.137-2.465
	$ 245,601	$ 199,451	$ 608	

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the three months ended March 31, 2017				
Sister companies	$ 58,300	$ -	$ 11	2.265
Main management	111,354	100,464	363	1.245-2.428
Others	50,324	43,756	189	1.260-2.240
	$ 219,978	$ 144,220	$ 563	

Under the Banking Law, except for customer loans and government loans, credits extended by TCB to any related party should be 100% secured, and the terms of credits extended to related parties should be similar to those to third parties.

g) Deposits

	Ending Balance	Interest Expense	Interest Rate (%)
For the three months ended March 31, 2018			
Parent company	$ 55,661	$ -	-
Sister companies	2,237,488	265	0-1.065
Associates	118,780	97	0-0.800
Main management	540,199	2,156	0-13.000
Others	8,245,279	7,313	0-13.000
	$ 11,197,407	$ 9,831	
For the three months ended March 31, 2017			
Parent company	$ 48,949	$ -	-
Sister companies	2,063,299	393	0-1.205
Associates	171,173	94	0-0.775
Main management	463,485	2,039	0-13.000
Others	9,021,450	6,549	0-13.000
	$ 11,768,356	$ 9,075	

h) Receivable on securities (part of receivables)

	March 31, 2018	December 31, 2017	March 31, 2017
Sister company			
TCS	$ 47,514	$ 153,075	$ 96,700

i) Tax receivable - consolidated tax return (part of current tax assets)

	March 31, 2018	December 31, 2017	March 31, 2017
Parent company			
TCFHC	$ 1,071,039	$ 1,071,039	$ 951,196

j) Tax payable - consolidated tax return (part of current tax liabilities)

	March 31, 2018	December 31, 2017	March 31, 2017
Parent company			
TCFHC	$ 1,356,941	$ 560,958	$ 1,074,127

k) Service fee (part of service fee income, net)

	For the Three Months Ended March 31	
	2018	2017
Sister companies		
BPCTLI	$ 172,294	$ 179,968
Others	12,084	19,331
Main management	88	45
Others	38	79
	$ 184,504	$ 199,423

l) Purchases and sales of securities

	For the Three Months Ended March 31, 2018			
Related Party	Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Sister companies	$ 49,834	$ 49,799	$ -	$ 199,521

	For the Three Months Ended March 31, 2017			
Related Party	Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Sister companies	$ -	$ -	$ -	$ 2,497,091

m) Derivatives

	For the Three Months Ended March 31, 2018					
Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet Account	Amounts on the Balance Sheet Amounts
Sister company - BPCTLI	Currency swap	2018.03.22-2018.05.22	US$ 4,935	$ (304)	Financial liabilities at fair value through profit or loss	$ (304)
	Currency swap	2018.03.22-2018.05.22	US$10,033	(618)	Financial liabilities at fair value through profit or loss	(618)
	Currency swap	2018.03.22-2018.05.22	US$13,000	(800)	Financial liabilities at fair value through profit or loss	(800)
	Currency swap	2018.03.19-2018.05.21	US$ 1,699	(210)	Financial liabilities at fair value through profit or loss	(210)
	Currency swap	2018.03.19-2018.05.21	US$ 3,129	(387)	Financial liabilities at fair value through profit or loss	(387)
	Currency swap	2018.03.19-2018.05.21	US$ 4,850	(600)	Financial liabilities at fair value through profit or loss	(600)
	Currency swap	2018.03.19-2018.05.21	US$ 3,129	(387)	Financial liabilities at fair value through profit or loss	(387)
	Currency swap	2018.03.19-2018.05.21	US$10,488	(1,297)	Financial liabilities at fair value through profit or loss	(1,297)
	Currency swap	2018.03.19-2018.05.21	US$ 5,165	(639)	Financial liabilities at fair value through profit or loss	(639)
	Currency swap	2018.03.19-2018.05.21	US$ 4,814	(595)	Financial liabilities at fair value through profit or loss	(595)
	Currency swap	2018.03.15-2018.05.15	US$ 9,681	(1,289)	Financial liabilities at fair value through profit or loss	(1,289)
Other - TCB Global Emerging Markets Equity Fund	Currency swap	2018.03.13-2018.04.13	US$ 7,000	(1,289)	Financial liabilities at fair value through profit or loss	(1,289)
	Currency swap	2018.03.13-2018.04.13	US$ 1,000	(184)	Financial liabilities at fair value through profit or loss	(184)
Other - TCB Global High Yield Bond Fund	Currency swap	2018.03.13-2018.04.13	US$ 4,000	(737)	Financial liabilities at fair value through profit or loss	(737)
	Currency swap	2018.03.13-2018.04.13	US$ 9,500	(1,750)	Financial liabilities at fair value through profit or loss	(1,750)
	Currency swap	2018.01.10-2018.04.10	US$ 5,550	(1,601)	Financial liabilities at fair value through profit or loss	(1,601)
	Currency swap	2018.03.06-2018.04.11	US$15,250	(2,761)	Financial liabilities at fair value through profit or loss	(2,761)
	Currency swap	2018.03.19-2018.05.21	US$ 4,000	(483)	Financial liabilities at fair value through profit or loss	(483)
	Currency swap	2018.03.28-2018.04.30	US$10,000	(255)	Financial liabilities at fair value through profit or loss	(255)

	For the Three Months Ended March 31, 2017					
	Type of	Contract	Nominal	Valuation	Amounts on the Balance Sheet	
Related Party	**Derivatives**	**Period**	**Amounts**	**Gain (Loss)**	**Account**	**Amounts**
Sister company - BPCTLI	Currency swap	2017.03.22-2017.05.22	US$ 4,936	$ (892)	Financial liabilities at fair value through profit or loss	$ (892)
	Currency swap	2017.03.22-2017.05.22	US$10,033	(1,813)	Financial liabilities at fair value through profit or loss	(1,813)
	Currency swap	2017.03.22-2017.05.22	US$13,000	(2,349)	Financial liabilities at fair value through profit or loss	(2,349)
	Currency swap	2017.02.06-2017.04.06	US$ 3,187	(2,370)	Financial liabilities at fair value through profit or loss	(2,370)
	Currency swap	2017.01.17-2017.04.17	US$ 6,981	(8,272)	Financial liabilities at fair value through profit or loss	(8,272)
	Currency swap	2016.04.11-2017.04.11	US$ 3,499	(5,999)	Financial liabilities at fair value through profit or loss	(6,359)
	Currency swap	2017.01.17-2017.04.17	US$ 1,699	(2,013)	Financial liabilities at fair value through profit or loss	(2,013)
	Currency swap	2017.01.17-2017.04.17	US$ 3,129	(3,708)	Financial liabilities at fair value through profit or loss	(3,708)
	Currency swap	2017.01.15-2017.04.17	US$ 4,850	(5,747)	Financial liabilities at fair value through profit or loss	(5,747)
	Currency swap	2017.01.17-2017.04.17	US$ 3,129	(3,708)	Financial liabilities at fair value through profit or loss	(3,708)
	Currency swap	2017.03.15-2017.04.17	US$10,488	(6,355)	Financial liabilities at fair value through profit or loss	(6,355)
	Currency swap	2017.03.14-2017.04.14	US$ 5,030	(3,612)	Financial liabilities at fair value through profit or loss	(3,612)
	Currency swap	2017.03.14-2017.04.14	US$ 5,001	(3,591)	Financial liabilities at fair value through profit or loss	(3,591)
	Currency swap	2017.03.14-2017.04.14	US$10,012	(7,189)	Financial liabilities at fair value through profit or loss	(7,189)
	Currency swap	2017.03.14-2017.04.14	US$ 9,989	(7,172)	Financial liabilities at fair value through profit or loss	(7,172)
	Currency swap	2017.03.14-2017.04.14	US$ 5,006	(3,594)	Financial liabilities at fair value through profit or loss	(3,594)
	Currency swap	2017.03.14-2017.04.14	US$10,483	(7,527)	Financial liabilities at fair value through profit or loss	(7,527)
	Currency swap	2017.03.14-2017.04.14	US$ 1,920	(1,379)	Financial liabilities at fair value through profit or loss	(1,379)
	Currency swap	2017.03.09-2017.04.10	US$10,255	(6,150)	Financial liabilities at fair value through profit or loss	(6,150)
	Currency swap	2017.01.13-2017.07.13	US$ 3,299	(5,062)	Financial liabilities at fair value through profit or loss	(5,062)
	Currency swap	2017.02.07-2017.04.07	US$ 2,002	(1,135)	Financial liabilities at fair value through profit or loss	(1,135)
	Currency swap	2017.03.07-2017.04.07	US$ 9,977	(6,446)	Financial liabilities at fair value through profit or loss	(6,446)
	Currency swap	2017.03.17-2017.04.17	US$ 5,165	(2,778)	Financial liabilities at fair value through profit or loss	(2,778)

(Continued)

Related Party	For the Three Months Ended March 31, 2017 Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet Account	Amounts
Other - TCB Global Emerging	Currency swap	2017.03.10-2017.05.10	US$ 7,000	$ (3,317)	Financial liabilities at fair value through profit or loss	$ (3,317)
Markets Equity Fund	Currency swap	2017.03.20-2017.05.22	US$ 2,020	(589)	Financial liabilities at fair value through profit or loss	(589)
Other - TCB Global High Yield Bond	Currency swap	2017.03.10-2017.05.10	US$ 1,000	(474)	Financial liabilities at fair value through profit or loss	(474)
Fund	Currency swap	2017.03.10-2017.05.10	US$ 4,000	(1,896)	Financial liabilities at fair value through profit or loss	(1,896)
	Currency swap	2017.04.06-2017.05.10	US$ 3,000	(72)	Financial liabilities at fair value through profit or loss	(72)

(Concluded)

The realized gain or loss resulted from the currency swap transactions of TCB with related parties was as follows:

	For the Three Months Ended March 31 2018	2017
Financial assets and liabilities at fair value through profit or loss		
Sister companies		
BPCTLI	$ (68,982)	$ (99,444)
Others	(24,086)	(16,820)
	$ (93,068)	$ (116,264)

n) Loans

March 31, 2018

Type	Account Volume or Name	Highest Balance in the Period Ended March 31, 2018 (Note 1)	Ending Balance	Loan Classification Normal Loans	Nonperforming Loans	Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
Consumer loans	43	$ 75,768	$ 73,437	$ 73,437	$ -	Note 2	None
Self-used housing mortgage loans	31	136,833	126,014	126,014	-	Land and buildings	None
Other	Taiwan Cooperative Securities Co., Ltd.	33,000	-	-	-	Bonds	None

March 31, 2017

Type	Account Volume or Name	Highest Balance in the Period Ended March 31, 2017 (Note 1)	Ending Balance	Loan Classification Normal Loans	Nonperforming Loans	Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
Consumer loans	30	$ 44,761	$ 43,336	$ 43,336	$ -	Note 2	None
Self-used housing mortgage loans	26	116,917	100,884	100,884	-	Land and buildings	None
Other	Taiwan Cooperative Securities Co., Ltd.	58,300	-	-	-	Bonds	None

Note 1: The highest balance is the largest sum in the year of all daily accounts for each type.

Note 2: A portion of the consumer loans was real estate guaranteed.

2) Taiwan Cooperative Securities Co., Ltd. (TCS)

a) Settlement payable (part of payables)

	March 31, 2018	December 31, 2017	March 31, 2017
Sister companies	$ 35,062	$ 127,818	$ 36,813
Others	-	1,475	-
	$ 35,062	$ 129,293	$ 36,813

b) To settle security transactions, TCS applied to TCB for a guarantee of $1,500,000 thousand for short-term loan and overdraft. As of March 31, 2018, December 31, 2017 and March 31, 2017, TCS had no borrowing and overdraft. The overdraft for the three months ended March 31, 2018 and 2017 were as follows:

	For the Three Months Ended March 31, 2018			
	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
Sister companies	$ 33,000	$ -	$ 2	2.265

	For the Three Months Ended March 31, 2017			
	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
Sister companies	$ 58,300	$ -	$ 11	2.265

c) TCS applied to TCB for call loans

	For the Three Months Ended March 31, 2018			
	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
Sister companies				
TCB	$ 299,235	$ 291,050	$ 1,443	1.750-2.550

	For the Three Months Ended March 31, 2017			
	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
Sister companies				
TCB	$ 252,760	$ 242,640	$ 485	1.100-1.450

3) Taiwan Cooperative Bills Finance Corporation Ltd.

a) Cash in bank

	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
For the three months ended March 31, 2018				
Sister companies	$ 238,263	$ 45,108	$ 1	0.010-1.065
For the three months ended March 31, 2017				
Sister companies	$ 291,658	$ 62,436	$ 1	0.010-1.140

b) Call loans from banks

	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
For the three months ended March 31, 2018				
Sister companies	$ 2,100,000	$ -	$ 587	0.350-0.430
For the three months ended March 31, 2017				
Sister companies	$ 3,500,000	$ 1,200,000	$ 1,552	0.350-0.560

c) Securities sold under repurchase agreement

	Ending Balance	Interest Expense	Interest Rate (%)
For the three months ended March 31, 2018			
Sister companies	$ 395,460	$ 201	0.360-0.425
Others	-	4	0.400
	$ 395,460	$ 205	
For the three months ended March 31, 2017			
Sister companies	$ 620,264	$ 816	0.350-0.560
Others	159,936	48	0.340-0.370
	$ 780,200	$ 864	

4) BNP Paribas Cardif TCB Life Insurance Co., Ltd.

a) Cash in bank (part of cash and cash equivalents, investment in debt instrument at amortized cost, debt instruments with no active market, refundable deposits and separate account assets)

	March 31, 2018		December 31, 2017		March 31, 2017	
	Amount	%	Amount	%	Amount	%
Sister company						
TCB	$ 2,073,781	58	$ 1,355,653	57	$ 1,833,738	42

b) Securities purchased under resell agreements (part of cash and cash equivalents)

	For the Three Months Ended March 31, 2018		
	Purchased Securities (Note)	Securities Purchase Under Resell Agreement	
		Amount	Rate (%)
Sister company			
TCBF	$ 395,640	$ 1,148,037	0.360-0.400

	For the Three Months Ended March 31, 2017		
	Purchased Securities (Note)	Securities Purchase Under Resell Agreement	
		Amount	Rate (%)
Sister company			
TCBF	$ 620,264	$ 3,138,461	0.350-0.560

Note: The amount includes securities purchased under resell agreements.

c) Derivatives

For the three months ended March 31, 2018

Type of Derivatives	Related Party	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet	
					Account	Amounts
Currency swap	Sister company TCB	2018.3.13-2018.5.22	US$ 70,923	$ 7,124	Financial assets at fair value through profit or loss	$ 7,124
	Associates - Banque Nationale De Paris, Taipei Branch (Note)	2018.1.12-2018.5.21	US$186,452	22,014	Financial assets at fair value through profit or loss	22,014

For the three months ended March 31, 2017

Type of Derivatives	Related Party	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet	
					Account	Amounts
Currency swap	Sister company TCB	2016.04.07-2017.07.13	US$143,070	$ 98,861	Financial assets at fair value through profit or loss	$ 99,221
	Associates - Banque Nationale De Paris, Taipei Branch (Note)	2016.6.27-2017.7.24	US$226,283	211,835	Financial assets at fair value through profit or loss	221,972
		2016.6.2-2017.6.6	US$ 7,035	26	Financial assets at fair value through profit or loss	(1,001)

Note: Paris Management Consultant Co., Ltd is an associate of BPCTLI, but not a related party to the Company.

For the three months ended March 31, 2018 and 2017, the realized gains or losses on currency swaps with sister companies were $68,982 thousand gains and $99,444 thousand losses, respectively. Besides, the realized gains or losses on currency swaps with affiliates were $113,647 thousand gains and $151,819 thousand gains, respectively.

The BPCTLI engaged in foreign exchange swaps with associates. Under these contracts, both parties should receive deposits (recorded as other liabilities) depending on the value of the swaps. As of March 31, 2018, December 31, 2017 and March 31, 2017, the BPCTLI had received deposits of $0 thousand, $0 thousand and $191,363 thousand, respectively.

d) Operating expenses - insurance contract expenses

	For the Three Months Ended March 31	
	2018	**2017**
Sister company		
TCB	$ 184,569	$ 193,761

The above insurance contract expenses were recorded as operating cost - commission expenses and were deducted from the reserve for insurance contracts with financial instrument features.

5) Co-operative Assets Management Co., Ltd. (CAM)

	March 31, 2018	**December 31, 2017**	**March 31, 2017**
Other payables			
Parent company	$ 133,412	$ 111,657	$ 44,299

d. Salaries, bonuses and remunerations to main management

The salaries, bonuses and remunerations of the directors and main management for the three months ended March 31, 2018 and 2017, are summarized as follows:

	For the Three Months Ended March 31	
	2018	**2017**
Salaries and other short-term employment benefits	$ 38,820	$ 35,984
Post-employment benefits	1,774	1,580
Interest arising from the employees' preferential rate in excess of normal rates	421	380
	$ 41,015	$ 37,944

42. PLEDGED ASSETS

a. In addition to those mentioned in other notes, the face values of the pledged bonds and certificates of deposit are summarized as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Collaterals for call loans of foreign currency	$ 40,000,000	$ 40,000,000	$ 40,000,000
Collaterals for domestic overdraft	31,610,000	31,510,000	31,610,000
Collaterals for overdraft of domestic U.S. dollar settlement	11,000,000	11,000,000	11,000,000
Collaterals for overdraft of domestic RMB settlement	1,486,720	1,455,680	2,205,500
Guarantee deposits for provisional collateral seizure for loan defaults and others	1,622,200	1,440,700	1,195,100
Guarantee deposits for the insurance operation	960,000	960,000	900,000
Collaterals for overdraft of domestic JPY settlement	500,000	500,000	500,000
Overseas branches' capital adequate reserve	355,942	362,859	346,332
Guarantee deposits for securities operation	355,000	355,000	355,000
Guarantee deposits for the bills finance business	227,400	227,400	227,400
Guarantee deposits for the trust business compensation reserve	220,000	220,000	200,000
Collaterals for overseas branch U.S. dollar settlement	54,766	31,786	46,785
Overseas branches' guarantee deposits for operation	5,820	5,936	-
Others	90,200	90,200	90,200
	$ 88,488,048	$ 88,159,561	$ 88,676,317

To comply with the Central Bank of the Republic of China's (CBC) Interbank Funds Transfer and Settlement System for real-time gross settlement (RTGS), the TCB provided partial certificates of deposit as collateral for day-term overdraft (part of due from the Central Bank and call loans to other banks). The pledged amount may be adjusted anytime, and the unused overdraft amount at the end of a day can also be treated as the TCB's liquidity reserve.

b. To expand their capital sourcing and enhance their liquidity position, TCB's Seattle Branch, Los Angeles Branch and New York Branch obtained access privileges at the Discount Window Account of the Federal Reserve Bank. For this access, the three branches pledged the following assets:

(In Thousands of U.S. Dollars)

	Outstanding Balance			Collateral
Date	Loan	Bond	Total	Value
March 31, 2018	$ 284,718	$ -	$ 284,718	$ 210,800
December 31, 2017	$ 308,429	$ -	$ 308,429	$ 230,474
March 31, 2017	$ 278,089	$ 5,000	$ 283,089	$ 213,036

43. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those mentioned in other notes, the significant commitments and contingencies were as follows:

a. Taiwan Cooperative Financial Holding Co., Ltd.

As of March 31, 2018, TCFHC's outstanding major construction and procurement contracts amounted to $134,602 thousand, of which $115,083 thousand was still unpaid.

b. Taiwan Cooperative Bank, Ltd.

1) Lease agreements on premises occupied by TCB's branches are operating lease. Rentals are calculated on the basis of the leased areas and are payable monthly, quarterly or semiannually. As of March 31, 2018, refundable deposits on these leases totaled $126,055 thousand (part of refundable deposits). Minimum future annual rentals are as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Within one year	$ 578,020	$ 588,831	$ 609,775
One to five years	1,163,588	1,192,276	1,217,237
Over five years	108,404	127,766	116,834
	$ 1,850,012	$ 1,908,873	$ 1,943,846

The lease payments recognized as expenses are as follows:

	For the Three Months Ended March 31	
	2018	2017
Minimum lease payments	$ 152,528	$ 162,964
Contingent rentals	567	248
	$ 153,095	$ 163,212

2) Lease agreements on investment properties owned by TCB and rent to others are operating lease. Rentals are calculated on the basis of the leased areas and are receivable monthly, quarterly or semiannually. The lessees have no preemptive rights to buy properties at the end of the lease agreements. As of March 31, 2018, guarantee deposits on these leases totaled $51,145 thousand. Minimum future annual rentals are as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Within one year	$ 292,142	$ 186,858	$ 112,577
One to five years	874,585	497,804	202,287
Over five years	172,148	12,195	16,828
	$ 1,338,875	$ 696,857	$ 331,692

3) As of March 31, 2018, TCB's outstanding major construction and procurement contracts amounted to $5,759,703 thousand, of which $636,053 thousand was still unpaid.

4) According to the joint venture contract signed with BNP Paribas Assurance (BNPPA), TCB signed the tri-party agreement with BNP Paribas Cardif TCB Life Insurance Co., Ltd. (BPCTI) and Cooperative Insurance Broker Co., Ltd. (CIB) on April 13, 2010, which identified BPCTI as the sole supplier of life insurance products for TCB and CIB, also applying TCB's marketing channels to sell life insurance products exclusively. However, the rights and obligations were assumed by TCB since the merger on June 24, 2016.

c. United Taiwan Bank S.A.

United Taiwan Bank S.A. has operating lease agreements on its office premises. Minimum future annual rentals are as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Within one year	$ 2,749	$ 2,688	$ 2,367
One to five years	12,259	11,987	10,808
Over five years	10,062	10,773	13,018
	$ 25,070	$ 25,448	$ 26,193

d. Taiwan Cooperative Bills Finance Cooperation Ltd.

As of March 31, 2018, the commitments or contingencies arose from business were as follows:

	March 31, 2018
Guarantees of commercial paper	$ 23,537,800
Purchase of reference-rate commercial paper	$ 8,000,000

e. Taiwan Cooperative Securities Co., Ltd. (TCS)

1) As of March 31, 2018, TCS's agreements on the acquisition equipment and procurement contracts amounted to $15,767 thousand, of which $8,061 thousand was still unpaid.

2) In May 2012, TCS laid off an employee - Ms. Chen - in accordance with the Labor Standards Act, but Ms. Chen, claiming the layoff was illegal, applied to the Taipei District Court (the Court) on April 10, 2014 for clarification of this employment issue. The Taipei Department of Labor (TDOL) investigated this case in March 2014 and TDOL later concluded that there was no evidence that TCS had violated the Labor Standards Act. On March 18, 2016, the Taipei District Court ascertained the existence of the employment relationship in the first instance. TCS is required to pay monthly salary of $30.5 thousand plus accrued interests from April 25, 2014 to Ms. Chen until her reinstatement. The rest of the appeal of the plaintiff had been dismissed by the Court. Four fifth of the litigation fee is to be paid by TCS and the rest of the litigation fee is to be paid by the plaintiff. TCS filed an appeal on April 13, 2016. TCS appointed lawyers to handle the litigation and the case is still in process. TCS has already recognized $1,633 thousand loss.

f. Co-operative Assets Management Co., Ltd. (CAM)

CAM leases its own investment properties with lease term from 1 to 20 years. Lessee won't have the right of bargaining purchase at the end of lease period.

As of March 31, 2018, guarantee deposits on these leases to totaled $12,939 thousand. Minimum future annual rentals are as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Within one year	$ 49,650	$ 40,535	$ 55,157
One to five years	181,017	156,689	170,327
Over five years	545,670	556,706	571,826
	$ 776,337	$ 753,930	$ 797,310

g. BNP Paribas Cardif TCB Life Insurance Co., Ltd. (BPCTLI)

The BPCTLI leases its office premise and vehicles under lease agreements that expire in December 2019. As of March 31, 2018, rental deposits were $3,990 thousand (recorded as refundable deposits), and future lease payments under current lease agreements are summarized as follows:

Year	Amount
For the nine months ended December 31, 2018	$ 9,997
2019	1,064
2020	61

As of March 31, 2018, bonds with repurchase agreement that expire in three months totaled $1,148,507 thousand, with contractual interest rates between 0.39%-0.40% and a redemption value of $1,148,839 thousand.

44. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments that are not measured at fair value

Except for the financial assets and liabilities shown in the following table, management considers that either the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values or the fair values of the financial instruments cannot be reasonably measured.

	March 31, 2018		December 31, 2017		March 31, 2017	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets						
Investments in debt instruments at amortized cost	$ 516,084,226	$ 518,011,140	$ -	$ -	$ -	$ -
Held-to-maturity financial assets	-	-	516,191,151	517,935,433	509,683,851	508,705,176
Debt instruments with no active market	-	-	92,388,831	94,399,621	92,573,424	94,193,229
Financial liabilities						
Bonds payable	64,610,000	65,471,303	64,610,000	65,621,526	74,610,000	75,536,569

Fair value hierarchy as at March 31, 2018, December 31, 2017 and March 31, 2017:

March 31, 2018

	Total	Level 1	Level 2	Level 3
Financial assets				
Investments in debt instruments at amortized cost	$ 518,011,140	$ 6,938,749	$ 511,072,391	$ -
Financial liabilities				
Bonds payable	65,471,303	-	65,471,303	-

December 31, 2017

	Total	Level 1	Level 2	Level 3
Financial assets				
Held-to-maturity financial assets	$ 517,935,433	$ 7,371,150	$ 510,564,283	$ -
Debt instruments with no active market	94,399,621	422,113	93,977,508	-
Financial liabilities				
Bonds payable	65,621,526	-	65,621,526	-

March 31, 2017

	Total	Level 1	Level 2	Level 3
Financial assets				
Held-to-maturity financial assets	$ 508,705,176	$ 5,768,787	$ 502,936,389	$ -
Debt instruments with no active market	94,193,229	408,547	93,784,682	-
Financial liabilities				
Bonds payable	75,536,569	-	75,536,569	-

b. The valuation techniques and assumptions the Company uses for determining fair values are as follows:

The fair values of financial instruments traded on active markets are based on quoted market prices. However, in many instances where there are no quoted market prices for the Company's various financial instruments, fair values are based on estimates using other financial data and appropriate valuation methodologies. The financial data obtained by the Company for making estimations and assumptions for financial instrument valuation is consistent with those used by other market participants to price financial instruments. Fair values of forward contracts, currency swap contracts, foreign-currency margin contracts, cross-currency swap contracts and interest rate swap contracts are calculated using the discounted cash flow method, unless the fair values are provided by counter-parties. Fair values of option contracts are based on estimates using the Black Scholes pricing model.

The Company estimates the fair value of each forward contract on the basis of the swap points quoted by Reuters on each settlement date. Fair values of interest rate swap contracts and cross-currency swap contracts are calculated using the Bloomberg information system, unless the fair values are provided by counterparties. The calculation of the fair value of each option contract is based on the mid-price (the average of bid and ask prices) quoted by Reuters and applied consistently.

For debt instruments with no active market, if there are theoretical prices from Taipei Exchange (TPEx, an over-the-counter securities exchange) on the balance sheet date, they are used as the basis for evaluating the fair value of debt instruments with no active market. Otherwise, the latest trade prices and quoted prices by major markets are used. The fair values of bank debentures are recorded as follows: (a) debentures with no maturity dates - at book values; (b) debentures with floating interest rates - at theoretical prices quoted by the GTSM; and (c) debentures with fixed interest rates - at estimates reached using the discounted cash flow method. The discount rates used were between 0.5251% and 1.3618%, between 0.7211% and 1.1545%, between 0.6884% and 1.1945% as of March 31, 2018, December 31, 2017 and March 31, 2017, respectively, and were comparable with interest rates for loans with similar terms and characteristics.

Evaluation technique and input of fair value measurement at Level 3

The Company adopts the market approach for domestic unlisted equity investment, and selects similar industries with the target company. The main business model is similar. The products and scales are close to the comparable listed companies. The fair value estimation is based on the information of the listed company, or the price-book ratio (P/B) of the industry to which the target is evaluated is estimated as the multiplier of the fair value estimate. The significant unobservable input used is discount for lack of marketability. A decrease in discount for lack of marketability used in isolation would result in increases in fair value. The Company adopts the discount for lack of marketability at 10% to 30% on March 31, 2018.

c. The fair value hierarchy of the Company’s financial instruments measured at fair value on a recurring basis as of March 31, 2018, December 31, 2017 and March 31, 2017 were as follows:

1) Fair Value Hierarchy

Financial Instruments Measured at Fair Value	March 31, 2018 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at FVTPL				
Stocks	$ 3,197,003	$ 3,023,155	$ 4,788	$ 169,060
Debt instruments	12,591,096	7,427,811	5,163,285	-
Others	56,448,527	5,875,330	50,573,197	-
Financial assets designated as at fair value through profit or loss	1,057,043	-	1,057,043	-
Financial assets at FVTOCI				
Stocks	11,631,671	5,385,168	-	6,246,503
Debt instruments	281,743,449	31,296,508	250,446,941	-
Liabilities				
Financial liabilities at FVTPL	(11,722,613)	(814,930)	(10,907,683)	-
Derivative financial instruments				
Assets				
Financial assets at FVTPL	1,691,878	235,468	1,456,410	-
Liabilities				
Financial liabilities at FVTPL	(4,082,764)	(95)	(4,082,669)	-

Financial Instruments Measured at Fair Value	December 31, 2017 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at FVTPL				
Held-for-trading financial assets				
Stocks	$ 1,748,869	$ 1,742,357	$ 6,512	$ -
Debt instruments	8,629,968	3,784,449	4,845,519	-
Others	39,698,866	1,024,957	38,673,909	-
Financial assets designated as at FVTPL	151,235	-	151,235	-
Available-for-sale financial assets				
Stocks	5,371,870	5,371,870	-	-
Debt instruments	193,148,863	29,691,335	163,457,528	-
Others	4,798,725	4,798,725	-	-
Liabilities				
Financial liabilities at FVTPL	(11,802,334)	(114,043)	(11,688,291)	-

(Continued)

Financial Instruments Measured at Fair Value	December 31, 2017 Total	Level 1	Level 2	Level 3
Derivative financial instruments				
Assets				
Financial assets at FVTPL	$ 2,921,192	$ 223,127	$ 2,698,065	$ -
Liabilities				
Financial liabilities at FVTPL	(2,769,190)	(4,196)	(2,764,994)	-

(Concluded)

Financial Instruments Measured at Fair Value	March 31, 2017 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at FVTPL				
Held-for-trading financial assets				
Stocks	$ 1,554,994	$ 1,554,152	$ 842	$ -
Debt instruments	6,951,576	2,807,558	4,144,018	-
Others	43,852,930	1,097,247	42,755,683	-
Available-for-sale financial assets				
Stocks	6,150,873	6,150,873	-	-
Debt instruments	177,378,032	31,013,360	146,364,672	-
Others	4,750,977	4,750,977	-	-
Liabilities				
Financial liabilities at FVTPL	(11,774,533)	(156,696)	(11,617,837)	-
Derivative financial instruments				
Assets				
Financial assets at FVTPL	3,403,849	250,471	3,153,378	-
Liabilities				
Financial liabilities at FVTPL	(5,493,543)	(8,184)	(5,485,359)	-

2) Reconciliation for financial assets based on the fair value measurement of Level 3

Financial Assets	Financial assets at FVTPL	Investment in Equity Instruments at FVTOCI
Balance at January 1, 2018	$ 161,676	$ 5,521,358
Recognized in profit (financial assets and liabilities FVTPL)	7,384	-
Recognized in OCI (investment in equity instruments at FVTOCI)	-	650,145
Purchases	-	75,000
Balance at March 31, 2018	$ 169,060	$ 6,246,503

d. Information of financial liabilities designated as at fair value through profit or loss is as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Difference between carrying amount and contractual amount at maturity			
Fair value	$ 10,907,683	$ 11,688,291	$ 11,617,837
Amount payable at maturity	11,640,000	11,872,000	12,152,000
	$ (732,317)	$ (183,709)	$ (534,163)

	Change in Fair Values Resulting from Credit Risk Variations
Change in amount in the period	
For the three months ended March 31, 2018	$ 12,543
For the three months ended March 31, 2017	$ (1,113)
Accumulated amount of change	
As of March 31, 2018	$ 14,957
As of December 31, 2017	$ 2,414
As of March 31, 2017	$ 33,385

The change in fair value attributable to change in credit risk was calculated as the difference between total change in fair value of bank debentures and the change in fair value due to change in market risk factors alone. The change in fair value due to market risk factors was calculated using benchmark interest yield curves as at the end of the reporting period holding. The fair value of bank debentures was estimated by discounting future cash flows using quoted benchmark interest yield curves as at the end of the reporting period and by obtaining lender quotes for borrowing of similar maturity to estimate credit risk margin.

e. Information on financial risk management

Taiwan Cooperative Financial Holding Co., Ltd.

1) Risk management

TCFHC and its subsidiaries' risk management goals are to develop a sound risk management mechanism under the principles of customer service, business continuity management, risk appetite, and compliance with related laws and regulations and expected-return standards and to enhance stockholder's equity. Major risks faced by TCFHC and its subsidiaries include on-balance-sheet and off-balance-sheet credit risks, market risks (including interest rate, exchange rate, equity security and financial product risks), and liquidity risks.

To effectively identify, measure, manage, and monitor various types of risks and to achieve profit objectives under a reasonable risk, both TCFHC and its subsidiaries have developed risk management policies, regulations and procedures, which have been approved by the board of directors.

The board of directors is the highest decision-making unit of TCFHC's risk management system and takes the ultimate overall, responsibility for risk management. The risk management committee is in charge of setting risk management policies and indicators, monitoring TCFHC and its subsidiaries' various risk situations and operating procedures, and coordinating and supervising the execution of risk management. The risk management division is in charge of TCFHC's risk management policy planning, capital adequacy calculating and assessing, emergency contingency plan making, and periodically monitoring and reporting TCFHC and its subsidiaries' risk control and management execution as required by regulations.

Each subsidiary' board of directors is the highest decision-making unit of each subsidiaries' risk management system and takes the ultimate overall responsibility for risk management. Each subsidiary has also established a risk management committee or independent risk management unit, which is in charge of the execution of risk management procedures.

2) Credit risk

Credit risk refers to borrowers, issuers or counterparties' deterioration or other factors (dispute between a borrower and its counterparty, for instance), which leads to borrowers, issuers or counterparties' breach of contracts, resulting in default losses. Credit risk comes from both on-balance-sheet and off-balance-sheet transactions. TCFHC and its subsidiaries' on-balance-sheet credit-risk exposure come from loans, due from and call loans to other banks, security investments and derivatives. The off-balance-sheet credit risk exposure comes from guarantees, letters of acceptance**,** letters of credit and loan contracts.

TCFHC and its subsidiaries must closely analyze every on-balance-sheet and off-balance-sheet transaction to recognize existing and potential credit risk. On the basis of the Company's operating conditions and the principle of sound risk distribution, every risk factor should be managed, risk situations should be analyzed and assessed, limits on concentration of credit risk should be set, and a risk monitoring and warning mechanism should be established.

3) Market risk

Market risk refers to unfavorable market price fluctuations, which affect the on-balance-sheet and off-balance-sheet positions. Market price refers to interest rate, foreign-exchange rate, equity security price and financial product prices. TCFHC and its subsidiaries' market risk management procedures include risk identification, measurement, and assessment as well as risk monitoring and reporting.

TCFHC and its subsidiaries' risk management staff analyze and assess market risk position data, monitor market risks position and gains or losses, and periodically and make reports to the risk management committee and board of directors for managements' decision making. Each subsidiary has various authorized investment amounts and stop loss regulations based on the overall risk management target and product attributes and periodically prepare management reports on the control and management of each market risk.

4) Liquidity risk

Liquidity risk refers to the possible financial losses that may arise because of the inability to liquidate assets or to pay financial liabilities when they become due. Examples of liquidity risk-related situations are the early withdrawal of deposits, transaction terms becoming more stringent, increase in borrowers' defaults, a financial instrument becoming illiquid, and the early cancellation of a floating rate insurance product policy. These situations may deplete TCFHC and its subsidiaries' capital resources, requiring them to seek loans, and do fund-raising and investment activities. In extreme situations, lack of liquidity may cause the potential risk of the inability to enter into lending transactions. For the reduction of liquidity strains on the bank funding market, there is a bank liquidity risk channel.

TCFHC and its subsidiaries separately execute their respective liquidity management procedures, and this execution is monitored by an independent risk management division, which periodically prepares related reports for submission to TCFHC and its subsidiaries' risk management committees and the board of directors.

Taiwan Cooperative Bank Ltd. and subsidiary

1) Risk management

The objective of risk management is to develop a sound risk management mechanism, and on the basis of the risk tolerance level and the expected return level, pursue the maximum value of stockholders' investments. The main risks faced by TCB include the business credit risk on- and off- balance-sheet, market risks (including interest, exchange, equity security, and commodity risks) and liquidity risk.

TCB has risk management policies and risk monitoring procedures, which have been reviewed and approved by the Board and are used to effectively identify, measure, monitor and control credit, market, and operating and liquidity risks.

The Board, the highest decision-making unit for the risk management, takes charge of approving the risk management policy and system and building the risk management culture. It also takes ultimate responsibility for overall risk management.

Under the risk management decision approved by the Board, the risk management committee takes charge of and reviews all TCB's risk management implementation, capital adequacy assessment, and risk exposure management. It also communicates and the inter-departmental risk management issues and coordinates issue handling and continually monitors the execution of risk management procedures. The risk management department is responsible for planning and designing the risk management system, deliberating capital allocation, setting up the instruments for risk measurement and capital provision, and monitoring risk control. This department also regularly prepares reports for submission to senior management, the risk management committee and the Board.

Under the business management regulation and risk policy, the business supervising unit manages and oversees each business unit toward proper risk management and carries out risk review and control. In addition, the Audit Department independently audits at least once a year all risk-related businesses and timely provides suggestions for improvement.

2) Credit risk

Credit risk refers to a borrower, a financial instrument issuer or a transaction counterparty undergoing financial difficulty or other adverse situations (such as a dispute between the borrower and its business partner), which could result in loss due to breach of contract. Credit risk can come from on- and off-balance-sheet items., On-balance sheet items are mainly lending, due from bank and call loans to other banks, security investment and derivatives. Off-balance sheet items are mainly guarantees, acceptance, letters of credit and loan commitments.

The risk management policy, which is founded on the basic principles of safety, liquidity, profitability, welfare and growth, is implemented by the credit risk management division toward the cultivation of a risk management culture. All on- and off- balance sheet transactions are should be detailed analyzed in detail to identify existing and potential credit risk. Based on TCB's business characteristics and the principle of risk diversification, risk status is analyzed and evaluated, centralized limits are set, and a risk monitoring and alert mechanism has been developed and operated. For a more effective credit risk evaluation, an internal rating system has been created to enhance the ability to quantify risk.

TCB's main business items that are measured and managed for credit risks are as follows:

a) Loans business (including loan commitment and guarantees)

Credit assets are classified into five categories. In addition to normal credit assets that are classified as sound assets, the unsound assets are classified, on the basis of the valuation of collaterals and the length of time the payments become overdue, as special mention, substandard, with collectability high doubtful and uncollectable. TCB and its subsidiary also set up policies for the management of doubtful credits and the collection of overdue debts to deal with collection problems.

TCB and its subsidiary apply to its credit business the so-called "5Ps of credit analysis" as the basis for lending approval and evaluation of its counterparties. These 5Ps are: People (know customers' background and their credit status well); purpose (what will the fund be used for); payment (the borrower's ability to repay an obligation when it falls due); protection (TCB and its subsidiary's recourse on repayment defaults); and perspective (how the credit is seen in light of rewards and risks). After a loan is granted, the transaction is reviewed and monitored to ensure TCB and its subsidiary's creditor's rights.

To quantify credit risk, TCB and its subsidiary apply statistical methods using with customers' qualitative data and lending history to develop a rating module for corporate finance and consumer finance. This module is used to create an internal credit rating system for risk evaluation, in which 9 is the base grade of the credit quality of corporate customers, and 9 or 10 on the business segment consumer customers.

The 5P credit analysis and the module rating specifically apply to corporate customers. Micro credits and residential mortgages are assessed by using the credit rating model, and consumer loans are assessed individually for default risks.

b) Due from and call loans to other banks

TCB and its subsidiary evaluate the credit status of counterparties before closing deals. TCB and its subsidiary grant different limits to the counterparties on the basis of their respective credit ratings as suggested by domestic and foreign credit rating agencies.

c) Investments in debt instruments and derivatives

TCB and its subsidiary identify and manage credit risks from debt instruments through the use of external credit ratings of the debt instruments along with the evaluation of credit qualities of bonds, regional conditions and counterparty risks.

TCB and its subsidiary conduct derivative transactions with other banks and sets the credit limits (including lending limits) at their credit rating and the ranking given by the Banker magazine. The credits extended to general customers are monitored in accordance with the related contract terms and conditions and the credit limits for derivatives established through normal credit granting processes.

TCB and its subsidiary have a series of measures for credit granting to reduce credit risks. One of the procedures is asking for collaterals from the borrowers. To secure a debt, TCB and its subsidiary manage and assesses the collaterals following the procedures that determine the scope of collateralization and valuation of collaterals and the process of disposition. In credit contracts, TCB and its subsidiary stipulate the security mechanism for debts; the conditions and terms for collaterals; and the terms and conditions of offsetting to state clearly that TCB and its subsidiary reserve the right to reduce the granted quota, to reduce the repayment period, to demand immediate settlement or to offset the debts of the borrowers by their deposits in TCB and its subsidiary in order to reduce the credit risks.

To avoid the concentration of credit risks, TCB and its subsidiary set up centralized credit limits for business segments, countries, collaterals, groups, and construction financing. Monthly, or more frequently, as needed, TCB and its subsidiary review credit limits, monitor the actual risk-exposure condition and whether the usage rate of limits meets relevant regulations and reports the review results to superior management, risk management committee and the Board periodically. If there is a possibility of breach of the credit limits, the related department or division will apply appropriate procedures to ensure that the credit limits are followed.

TCB and its subsidiary settle most of its transactions at gross amounts. For further reduction of credit risks, settlement netting is used for some counterparties or in some circumstances where the transactions are terminated because of a counterparty's default.

The maximum exposures to credit risks of assets on the consolidated balance sheets without consideration of guarantees or other credit enforcement instruments approximate the assets' carrying amounts.

The maximum exposures of financial instrument to credit risks which was not applicable to impairment is as follow:

	March 31, 2018
Financial assets at fair value through profit or loss- debt instrument	$ 852,407

The maximum exposures of off-balance sheet items to credit risks without consideration of guarantees or other credit enforcement instrument are stated as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Irrevocable loan commitments issued	$ 100,140,398	$ 94,377,275	$ 94,100,147
Irrevocable credit card commitments	45,588,625	45,082,276	42,562,631
Letters of credit issued yet unused	19,856,161	18,727,577	23,242,500
Other guarantees	80,266,084	79,802,266	77,304,045

TCB and its subsidiary's management believes its ability to minimize credit risk exposures on off-balance sheet items is mainly due to its rigorous evaluation of credit extended and the periodic reviews of these credits.

Concentration of credit risk exists when counterparties to financial transactions are individuals or groups engaged in similar activities or activities in the same region, which would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The profile by group or industry, regions and collaterals of obligations that were 10% or more of total outstanding loans is as follows:

Credit Risk Profile by	March 31, 2018		December 31, 2017		March 31, 2017	
Group or Industry	Amount	%	Amount	%	Amount	%
Natural person	$ 819,414,125	40	$ 819,375,254	41	$ 795,961,425	39
Manufacturing	391,089,633	19	383,995,457	19	327,110,774	16

The determination of significantly increased credit risk after initial recognition

In order to determine whether the credit risks has increased significantly after initial recognition, TCB and its subsidiary assessed changes in default risks of financial assets over the duration at the balance sheet date. To evaluate changes in default risks, Taiwan Cooperative Bank, Ltd. and its subsidiary considered reasonable and verifiable information (including forward-looking information). The major considerations include:

a) Quantitative benchmark

   i. Overdue loans: Loans and other credits (including accrued interest) are overdue for at least 30 days.

   ii. Debt instrument: Credit rating of bond issuers are not classified as investment grade and downgraded by over two grades, or classified as CCC.

b) Qualitative benchmark

   i. Borrower or its representative suffered from dishonored check due to insufficient funds.

   ii. Borrower or it's representative suffered from credit card suspension.

   iii. Objective evidence shows that the borrower's ability to fulfill obligation has been affected.

c) Low credit risks

   Credit risks are deemed low, if the credit rating of the issuer was classified as investment grade at the issue date and did not increase significantly after initial recognition.

Definition of default and credit loss on financial assets

TCB and its subsidiary define financial asset default in the same manner as financial asset impairment. If one or more of the following conditions occur, TCB and its subsidiary can conclude that the financial asset has defaulted and the credit is impaired:

a) Borrower filed for bankruptcy or reorganization.

b) Borrower defaulted on other financial instruments.

c) The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulties, has granted the borrower concession that the lender would not otherwise consider.

d) Borrower has been denied by Taiwan Clearing House.

e) Loans and other credits (including accrued interest) are overdue for at least 90 days.

The above definition of default is applicable to financial assets that are held by TCB and its subsidiary, and is in line with the definition of internal-management intention. Therefore, it is applied to related impairment evaluation models.

If the conditions that define default and credit loss of financial assets have been corrected and the financial assets have returned to the original state of compliance, the financial assets are no longer recognized as impaired.

Reversal policy

When TCB and its subsidiary are unable to recover financial assets to expectations, they are entirely or partly written off against the allowance amount. Indicators of uncollectible financial assets are as follows:

a) The debtor's inability to recover all or part of the debts due to dissolution, escape, settlement, bankruptcy or other reasons.

b) After collaterals assumed and assets of principal and subordinate debtors have been priced low or after deductions for first-order mortgage have been made, the remaining value of the assets is not enough to pay any obligation; also, if execution cost nears or exceeds the debtor's liability, no gain will be realized.

c) The Bank is not responsible for the collaterals assumed and assets of principal and subordinate debtors experiencing low priced auctions with no bidders.

d) Overdue loans or collections were made after two years from the settlement date.

e) Overdue credit card loans and overdue receivables were aged over nine months after the settlement date.

Financial assets that have been written off by TCB and its subsidiary may continue activities in progress, while complying with procedures according to relevant policies.

Measurement of expected credit loss

In order to assess the expected credit loss, TCB and its subsidiary will categorize credit assets according to credit risk and industry assessments of borrower, as well as credit risk of the types of collateral.

A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected losses is required for a financial asset if its credit risk has increased significantly since initial recognition.

The Company measures expected credit loss by calculating the product of loss given default and exposure at default, while taking into account the probability of default of a 12-month period and duration, as well as the effect of changes in currency values.

Probability of default refers to a possibility that a borrower would default to the contract (please refer to the introduction to "The definition of default and credit loss on financial assets"). Loss given default refers to the ratio of default loss caused by borrower. Probability of default and loss given default for loan business of TCB and its subsidiary are calculated by the adjustment of historical default rate, which is based on historical internal information (e.g. credit loss experience), current observable information and prospective macroeconomics statistics (e.g. monitoring indicator from National Development Association and unemployment rate from Directorate General of Budget, Accounting and Statistics, Executive Yuan).

TCB and its subsidiary estimate the exposure at default according to the aggregate book value. In addition, the estimations of expected credit loss for the 12-month loan period and duration of loan commitment made by the Bank and its subsidiaries are based on the credit conversion factor (CCF), using the portion of the loan commitment that is expected to be used within 12 months of reporting date and expected duration to calculate expected credit loss and determine the exposure at default.

There is no significant change in the estimation method and assumptions used to calculate expected credit loss as of March 31, 2018.

Forward-looking information considerations

TCB and its subsidiary have taken into account previous forward-looking information when assessing asset default probability. The Bank and its subsidiaries analyze past archives to identify relevant economic factors affecting personal and company asset default probabilities.

According to TCB and its subsidiary's previous forward-looking information, estimations are calculated at the end of the year per year on average. The influence of relevant economic factors and expected credit loss identified by the Bank and its subsidiaries on December 31, 2017 is as follows:

	Probability of Default
Relevant economic factors	Monitoring indicator/unemployment rate

The assessment of the increase/decrease in the credit risk is based on TCB and its subsidiary's amortization costs and other comprehensive income measured by fair value, referring to changes in external credit ratings according to the international credit ratings service (Moody's) as a quantitative indicator. Also, the expected credit loss uses external credit ratings and Moody's periodic calculations of default probability and loss given default as references. As international credit ratings services have taken into account forward-looking information in assessing credit ratings, it is also appropriate for TCB and its subsidiary to consider forward-looking information when assessing relevant expected credit loss.

Strengthen collaterals and other credits

TCB and its subsidiary have a series of measures for credit granting to reduce credit risks. One of the measures is to require collaterals from the borrowers. To secure a debt, TCB and its subsidiary manage and assess the collaterals following the procedures that determine the scope of collateralization and valuation of collaterals and the process of disposition. In credit contracts, TCB and its subsidiary stipulate the security mechanism for debts; the conditions and terms for collaterals; and the terms and conditions of offsetting to state clearly that TCB and its subsidiary reserve the right to reduce the granted quota, to shorten the repayment period, to demand immediate settlement or to offset the debts of the borrowers with their deposits in TCB and its subsidiary in order to reduce the credit risks.

There was no major change in the collateral policy of TCB and its subsidiary on the balance sheet date, and there was no significant change in the overall collateral quality.

TCB and its subsidiary closely monitor the value of collaterals of financial instruments and consider impairment on credit-impaired financial assets. Credit-impaired financial assets and collateral to mitigate potential loss as of March 31, 2018 were as follows:

	Cross Carrying Amount	**Allowance for Possible Losses**	**Total Exposure Amount (Amortized Cost)**	**Fair Value of Collateral**
Impaired financial assets				
Discount and loans	$ 18,141,620	$ 1,937,470	$ 16,204,150	$ 43,847,632

The total amount of financial assets that have been written off but have recourse action by TCB and its subsidiary at March 31, 2018 was $13,498 thousand.

Some financial assets held by TCB and its subsidiary, such as cash and cash equivalents, due from the Central Bank and call loans to other banks, call loans to security firms, financial assets at fair value through profit or loss, securities purchased under resell agreements and refundable deposits, are exposed to low credit risks because the counterparties have high credit ratings.

In addition to the above assets, credit quality analysis of other financial assets are as follows:

a) Credit quality analysis of discounts, loans and receivables

	March 31, 2018				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Impairment Recognized under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Discounts, loans	$ 2,048,125,931	$ 7,383,267	$ 30,429,875	$ -	$ 2,085,939,073
Less: Allowance for possible losses	3,595,657	39,977	5,368,402	-	9,004,036
Less: Impairment recognized under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	16,782,255	16,782,255
	$ 2,044,530,274	$ 7,343,290	$ 25,061,473	$ 16,782,255	$ 2,060,152,782

	March 31, 2018					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Credit Impairment by Using Simplified Method	Impairment Recognized under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Receivables	$ 13,260,520	$ 51,288	$ 188,312	$ 4,494,524	$ -	$ 17,994,644
Less: Allowance for possible losses	39,325	10,407	52,935	523,516	-	626,183
Less: Impairment recognized under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	-	127,233	127,233
	$ 13,221,195	$ 40,881	$ 135,377	$ 3,971,008	$ 127,233	$ 17,241,228

December 31, 2017	Neither Past Due Nor Impaired (A)	Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D) With Objective Evidence of Impairment	Provision for Impairment Losses (D) With No Objective Evidence of Impairment	Net (A)+(B)+(C)-(D)
Receivables							
Credit cards	$ 3,114,017	$ 43,409	$ 56,635	$ 3,214,061	$ 19,868	$ 17,208	$ 3,176,985
Others	15,194,094	34,901	914,027	16,143,022	607,932	86,235	15,448,855
Discounts and loans	1,984,728,997	12,537,799	30,597,998	2,027,864,794	5,742,374	19,454,230	2,002,668,190

March 31, 2017	Neither Past Due Nor Impaired (A)	Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D) With Objective Evidence of Impairment	Provision for Impairment Losses (D) With No Objective Evidence of Impairment	Net (A)+(B)+(C)-(D)
Receivables							
Credit cards	$ 2,989,852	$ 29,081	$ 62,787	$ 3,081,720	$ 23,219	$ 14,573	$ 3,043,928
Others	11,566,049	26,876	557,332	12,150,257	366,731	289,150	11,494,376
Discounts and loans	1,918,714,412	8,250,188	29,418,741	1,956,383,341	5,801,227	17,576,051	1,933,006,063

b) Credit quality analysis of discounts and loans not past due and not impaired

Items	December 31, 2017	March 31, 2017
Loans		
Secured	$ 1,409,682,987	$ 1,390,833,805
Unsecured	575,046,010	527,880,607
Total	$ 1,984,728,997	1,918,714,412

c) Credit quality analysis of securities

	March 31, 2018			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Investments in debt instruments at FVTOCI	$ 232,624,565	$ -	$ -	$ 232,624,565

	March 31, 2018			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Investments in debt instruments at amortized cost	$ 516,112,373	$ -	$ -	$ 516,112,373
Less: Allowance for possible losses	42,397	-	-	42,397
	$ 516,069,976	$ -	$ -	$ 516,069,976

December 31, 2017	Neither Past Due Nor Impaired (A)	Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)	Net (A)+(B)+(C)-(D)
Available-for-sale financial assets						
Debt instruments	$ 149,993,993	$ -	$ -	$ 149,993,993	$ -	$ 149,993,993
Equities	4,316,380	-	-	4,316,380	-	4,316,380
Others	131,123	-	-	131,123	-	131,123
Held-to-maturity financial assets						
Debt instruments	110,841,605	-	-	110,841,605	3,304	110,838,301
Others	402,951,024	-	-	402,951,024	-	402,951,024
Other financial assets						
Debt instruments	83,942,127	-	-	83,942,127	-	83,942,127
Equities	4,092,383	-	-	4,092,383	-	4,092,383
Others	20,145,645	-	-	20,145,645	-	20,145,645

March 31, 2017	Neither Past Due Nor Impaired (A)	Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)	Net (A)+(B)+(C)-(D)
Available-for-sale financial assets						
Debt instruments	$ 128,502,287	$ -	$ -	$ 128,502,287	$ -	$ 128,502,287
Equities	4,931,446	-	-	4,931,446	-	4,931,446
Others	323,675	-	-	323,675	-	323,675
Held-to-maturity financial assets						
Debt instruments	88,917,966	-	-	88,917,966	3,283	88,914,683
Others	418,191,412	-	-	418,191,412	-	418,191,412
Other financial assets						
Debt instruments	83,789,521	-	-	83,789,521	-	83,789,521
Equities	4,092,383	-	-	4,092,383	-	4,092,383
Others	16,577,336	-	-	16,577,336	-	16,577,336

The processing delays by the borrowers and other administrative reasons may cause financial assets to become past due but not impaired. As defined in the internal rules governing TCB and its subsidiary's risk management, financial asset that are past due within 90 days are not deemed as impaired, unless there are evidences that indicate impairment.

The vintage analysis of financial assets that are past due but not impaired is as follows:

Items	December 31, 2017		
	Past Due Up to 1 Month	Past Due by Over 1 Month - 3 Months	Total
Receivables			
Credit cards	$ 34,314	$ 9,095	$ 43,409
Others	18,318	16,583	34,901
Loans			
Secured	8,416,499	2,867,567	11,284,066
Unsecured	1,132,174	121,559	1,253,733
Available-for-sale financial assets			
Debt instruments	-	-	-
Others	-	-	-
Held-to-maturity financial assets			
Debt instruments	-	-	-
Others	-	-	-
Other financial assets			
Debt instruments	-	-	-
Others	-	-	-

Items	March 31, 2017		
	Past Due Up to 1 Month	Past Due by Over 1 Month - 3 Months	Total
Receivables			
Credit cards	$ 21,221	$ 7,860	$ 29,081
Others	15,272	11,604	26,876
Loans			
Secured	6,278,511	1,456,409	7,734,920
Unsecured	285,168	230,100	515,268
Available-for-sale financial assets			
Debt instruments	-	-	-
Others	-	-	-
Held-to-maturity financial assets			
Debt instruments	-	-	-
Others	-	-	-
Other financial assets			
Debt instruments	-	-	-
Others	-	-	-

3) Market risks

Market risk refers to the risk of losses in positions arising from adverse movements of market prices. It refers to interest rates, exchange rates, equity security prices, commodity prices, etc.

The main market risks that TCB and its subsidiary face are equity security, interest rates, and exchange rate risks. The market risk position of equity security mainly includes domestic listed and OTC stocks, domestic stock index options and stock market index futures; the position of interest rate mainly includes short-term bills, bonds and interest rate derivative instruments; and the instruments exposed to exchange rate risk mainly include spot contracts and forward contracts and derivatives denominated in foreign currency.

Under the market risk management policies approved by the board of directors, the new Basel Capital Accord and regulations implemented by relevant authorities and in consideration of the Bank's own market risk management system and its overall risk management goals and product features, TCB and its subsidiary have set all types of investment authorization limits and stop-loss rules, regularly reviews the customers' credit status and compiles management information reports to control all types of market risks effectively.

TCB and its subsidiary's market risk management procedures include risk identification, evaluation, and measurement as well as risk monitoring, and reporting. Every units' risk management personnel analyze data on market risk position and evaluate measurement methods, including the statistical basic measurement method, sensitivity analysis, and situational analysis. Monitoring content includes trading processes, collective and individual, of all transaction units and all financial instruments, such as change of position, change of profit and loss, trading pattern, and if trading objects are transacted within the authorized scope and limits.

TCB and its subsidiary's business units and risk management unit have established market risk factors for identifying risk exposure positions and use these factors to measure market risks. The market risk factors refer to the components of financial instruments' position, such as profit and loss and sensitivity to risk, which might be affected by interest rates, exchange rates and equity security market prices.

TCB and its subsidiary's risk management unit reports to management periodically the execution status of measures on market risk management, investment positions, and profit and loss control so that management can fully understand the status of market risk management. TCB and its subsidiary's also have cleared reporting procedures and rules for all types of transaction limits and the stop-loss order. If any transaction amount reaches the limit, the stop-loss order is executed immediately; if the stop-loss order is not executed, the transaction unit is required to explain the reasons for non-execution and prepare a response plan for management's approval.

TCB applies market risk sensitivity as a risk control instrument. Market risk sensitivity position refers to the change in the value of a position due to a change in a certain market risk factor. Market risk factors include interest rates, exchange rates, and equity security prices. TCB's position sensitivity exposure trading book contains all types of positions exposed to market risk and the range of change to which sensitivity analysis applied under various pressure scenarios for all types of risk factors.

Assuming all other factors are held constant, the effects of risks within defined change scenarios are shown below:

Main Risk	Change Scenario	March 31, 2018	December 31, 2017	March 31, 2017
Interest rate risk	Interest rate curve increased 100 basis points	$ (4,318)	$ (39,258)	$ (155,560)
	Interest rate curve fell 100 basis points	3,623	39,988	166,487
Exchange rate risk	USD/NT$, EUR/NT$ increased 3%	(210,633)	(195,579)	(139,268)
	USD/NT$, EUR/NT$ fell 3%	210,633	195,579	139,268
	Others (RMB, AUD etc.)/NT$ increased 5%	(17,576)	(9,514)	(46,110)
	Others (RMB, AUD etc.)/NT$ fell 5%	17,576	9,514	46,110
Equity security price risk	Equity security price increased by 15%	182,286	165,096	175,581
	Equity security price fell by 15%	(181,523)	(162,501)	(175,581)

Average amount and average interest rate of interest-earning assets and interest-bearing liabilities are as follows:

Average balance is calculated by the daily average balances of interest-earning assets and interest-bearing liabilities.

a) Taiwan Cooperative Bank, Ltd.

	For the Three Months Ended March 31			
	2018		2017	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-earning assets				
Due from banks and other financial assets - due from banks	$ 36,989,233	2.74	$ 29,958,330	1.97
Due from the Central Bank	165,906,662	0.36	162,766,522	0.36
Call loans to banks and other financial assets - call loans to security firms	70,301,645	1.99	85,254,146	1.19
Held-for-trading financial assets	-	-	21,500,785	0.59
Financial assets mandatorily classified as at fair value through profit or loss	7,326,543	0.71	-	-
Securities purchased under resell agreements	41,673	0.39	1,307,756	0.45
Discounts and loans	2,029,104,144	2.03	1,938,780,174	2.00
Financial assets at fair value through other comprehensive income	230,061,772	1.97	-	-
Investments in debt instruments at amortized cost	512,922,046	0.84	-	-
Available-for-sale financial assets	-	-	124,726,126	2.01
Held-to-maturity financial assets	-	-	511,619,894	0.71
Debt instruments with no active market	-	-	79,926,851	2.20

(Continued)

	For the Three Months Ended March 31			
	2018		2017	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-bearing liabilities				
Due to the Central Bank and other banks	$ 230,799,677	0.90	$ 222,099,956	0.73
Financial liabilities designated as at fair value through profit or loss	11,670,222	4.55	12,326,022	4.37
Securities sold under repurchase agreements	10,274,250	0.23	10,843,229	0.23
Demand deposits	510,934,453	0.15	469,389,218	0.10
Savings - demand deposits	826,814,188	0.27	806,267,418	0.27
Time deposits	497,586,591	1.31	463,035,677	1.10
Time savings deposits	643,663,886	1.07	667,600,097	1.09
Treasury deposits	90,411,740	0.64	82,159,604	0.67
Negotiable certificates of deposits	13,350,397	0.46	1,547,577	0.17
Structured products	1,870,737	2.51	1,746,467	0.76
Bank debentures	64,610,000	1.36	74,610,000	1.33

(Concluded)

b) United Taiwan Bank S.A.

	For the Three Months Ended March 31			
	2018		2017	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-earning assets				
Due from banks	$ 52,946	0.61	$ 60,004	0.16
Due from the Central Bank	167,035	-	425,453	-
Discounts and loans	8,517,749	2.26	7,494,739	1.98
Debt instruments with no active market	-	-	1,406,561	0.65
Investments in debt instruments at amortized cost	1,513,196	0.75	-	-
Interest-bearing liabilities				
Due to the Central Bank and other banks	7,758,110	1.03	7,177,714	0.61
Demand deposits	50,529	-	50,364	-
Time deposits	90,614	1.45	82,854	1.11

The exchange rate risk of TCB and its subsidiary is as follows:

(In Thousands)

	March 31, 2018		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
USD	$ 11,274,609	29.1000	$ 328,091,123
RMB	13,803,213	4.6460	64,129,730
AUD	1,131,287	22.3450	25,278,600
JPY	39,957,960	0.2739	10,944,485
EUR	347,222	35.8600	12,451,393
HKD	2,030,329	3.7070	7,526,431
ZAR	2,045,463	2.4500	5,011,384
GBP	72,925	40.7800	2,973,881
CAD	3,397	22.5700	76,676
NZD	64,709	21.1000	1,365,352
CHF	4,879	30.4850	148,744
SGD	11,267	22.2000	250,133
THB	7,214	0.9382	6,768
KHR	721,115	0.0072	5,192
PHP	4,689	0.5578	2,616
Financial liabilities			
USD	12,403,096	29.1000	360,930,106
RMB	12,642,633	4.6460	58,737,671
AUD	788,474	22.3450	17,618,447
JPY	54,672,070	0.2739	14,974,680
EUR	207,383	35.8600	7,436,760
HKD	685,419	3.7070	2,540,848
ZAR	3,125,385	2.4500	7,657,193
GBP	57,849	40.7800	2,359,084
CAD	66,083	22.5700	1,491,492
NZD	137,030	21.1000	2,891,326
CHF	10,922	30.4850	332,965
SGD	17,966	22.2000	398,837
SEK	15,434	3.4900	53,866
THB	15,363	0.9382	14,414
KHR	2,890	0.0072	21
PHP	1,317	0.5578	735
MYR	-	7.5320	2

	December 31, 2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
USD	$ 11,041,180	29.6800	$ 327,702,215
RMB	12,538,702	4.5490	57,038,555
AUD	945,755	23.1350	21,880,035
EUR	367,904	35.4500	13,042,210
JPY	41,602,226	0.2633	10,953,866
HKD	1,714,624	3.7960	6,508,711
ZAR	1,831,692	2.3900	4,377,743
GBP	60,118	39.9300	2,400,518
CAD	29,282	23.6300	691,945
NZD	20,386	21.0700	429,537
CHF	11,219	30.3350	340,330
SGD	2,144	22.2000	47,601
THB	10,337	0.9129	9,437
SEK	2,327	3.6000	8,378
KHR	782,844	0.0073	5,715
PHP	3,855	0.5938	2,289
Financial liabilities			
USD	11,836,282	29.6800	351,300,848
RMB	11,437,152	4.5490	52,027,606
AUD	775,048	23.1350	17,930,745
JPY	54,569,470	0.2633	14,368,141
ZAR	2,875,459	2.3900	6,872,348
EUR	172,903	35.4500	6,129,407
NZD	210,686	21.0700	4,439,155
HKD	1,006,936	3.7960	3,822,329
CAD	58,801	23.6300	1,389,460
GBP	31,502	39.9300	1,257,861
CHF	17,122	30.3350	519,385
SGD	9,853	22.2000	218,734
SEK	16,506	3.6000	59,423
THB	12,133	0.9129	11,076
PHP	1,999	0.5938	1,187
KHR	2,889	0.0073	21
MYR	-	7.3020	2

	March 31, 2017		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
USD	$ 10,208,281	30.3800	$ 310,127,587
RMB	11,878,636	4.4110	52,396,663
AUD	817,992	23.2350	19,006,042
JPY	46,519,161	0.2712	12,615,996
EUR	355,929	32.4500	11,549,891
HKD	1,449,163	3.9090	5,664,776
ZAR	1,594,822	2.2600	3,604,298
GBP	75,428	37.9600	2,863,233
CAD	120,864	22.7800	2,753,286
NZD	23,610	21.2500	501,709
CHF	5,150	30.3350	156,235
SGD	2,842	21.7400	61,778
SEK	1,861	3.4000	6,327
THB	8,077	0.8869	7,164
KHR	770,998	0.0075	5,782
PHP	2,865	0.6046	1,732
Financial liabilities			
USD	10,947,546	30.3800	332,586,434
RMB	10,850,334	4.4110	47,860,822
AUD	899,801	23.2350	20,906,882
JPY	39,237,321	0.2712	10,641,161
ZAR	3,036,307	2.2600	6,862,054
EUR	186,387	32.4500	6,048,265
HKD	1,133,159	3.9090	4,429,520
GBP	53,767	37.9600	2,040,984
NZD	92,105	21.2500	1,957,231
CAD	62,194	22.7800	1,416,781
SGD	23,632	21.7400	513,755
CHF	9,016	30.3350	273,492
SEK	18,616	3.4000	63,296
THB	13,116	0.8869	11,632
PHP	922	0.6046	557
KHR	2,889	0.0075	22
MYR	-	6.8630	2

4) Liquidity risk

Liquidity risk is inherent in all bank operations and might be affected by specific or general industry and environmental events. These events include credit-related events, mergers or acquisitions, systemic changes and natural disasters. TCB and its subsidiary define liquidity risk as the inability to realize assets or to obtain financing for meeting obligations when they fall due, resulting in loss.

The liquidity risk management strategy is based on the overall risk management objectives and involves liquidity risk, identification, measurement, monitoring and control to maintain TCB's appropriate liquidity and ensure adequate funding for meeting liability obligations or for capital growth.

The liquidity risk management procedures involve identification, measurement, monitoring and report of risk. Each business unit should identify the existing liquidity risk in business activities and financing products.

For adequate liquidity for all types of deposits, TCB follows the relevant regulations issued by the Central Bank to estimate the liquidity reserves and calculates and controls daily the liquidity reserve ratios.

For TCB's operating liquidity, the fund disbursement unit performs daily cash flow management and monitoring of the payments schedule on the basis of detailed reports by different departments and relevant rules.

The risk management department regularly generates risk reports, which include the liquidity reserve ratios and the maturity analysis of instruments and transactions denominated in major foreign currencies, and submits them to the Asset and Liability Management Committee and the Board as reference for decision making.

TCB stipulates liquidity risk limits, which are regularly monitored and reviewed by the risk management department. If a liquidity risk limit is exceeded or other exception situations occur, the business supervising unit immediately develops appropriate contingency measures and submits them to the Asset and Liability Management Committee for approval and implementation.

TCB contingency measures for business emergency or sudden liquidity crisis are aimed at quick crisis resolution and resumption of normal operations.

TCB's liquidity reserve ratios were 26.29% in March 2018, 24.49% in December 2017 and 26.29% in March 2017.

TCB and its subsidiary disclosed the analysis of cash outflows on non-derivative financial liabilities by their residual maturities as of the balance sheet dates. The amounts of cash outflows are based on contractual cash flows, so some amounts may not correspond to those shown in the consolidated balance sheets.

March 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Due to the Central Bank and other banks	$ 195,191,372	$ 49,105,822	$ 6,593,335	$ 70,086	$ -	$ 250,960,615
Financial liabilities at fair value through profit or loss	351,144	-	-	-	11,640,000	11,991,144
Securities sold under repurchase agreements	6,033,521	3,190,823	1,529,379	22,561	-	10,776,284
Payables	24,329,472	1,864,066	3,266,607	2,584,768	2,407,605	34,452,518
Deposits and remittances	250,153,654	316,224,523	387,868,742	637,792,543	1,019,080,047	2,611,119,509
Bank debentures	-	10,000,000	4,610,000	-	50,000,000	64,610,000
Other items of cash outflow on maturity	2,445,381	19,771	1,783	3,565	33,921	2,504,421

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Due to the Central Bank and other banks	$ 160,961,831	$ 43,055,551	$ 9,077,372	$ 281,277	$ -	$ 213,376,031
Financial liabilities at fair value through profit or loss	-	-	-	-	11,872,000	11,872,000
Securities sold under repurchase agreements	5,864,963	2,724,763	1,787,416	-	-	10,377,142
Payables	35,894,979	1,245,656	3,836,740	2,055,960	1,670,382	44,703,717
Deposits and remittances	269,370,789	372,256,022	358,183,916	617,296,617	1,007,631,653	2,624,738,997
Bank debentures	-	-	10,000,000	4,610,000	50,000,000	64,610,000
Other items of cash outflow on maturity	3,682,515	28,407	1,367	2,736	34,520	3,749,545

March 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Due to the Central Bank and other banks	$ 178,334,196	$ 42,909,071	$ 6,048,053	$ 1,117,403	$ -	$ 228,408,723
Financial liabilities at fair value through profit or loss	-	-	-	-	12,152,000	12,152,000
Securities sold under repurchase agreements	6,352,633	2,379,597	1,854,296	23,534	-	10,610,060
Payables	31,984,375	1,845,577	1,008,706	2,376,762	1,998,265	39,213,685
Deposits and remittances	229,416,428	310,195,245	372,892,726	647,861,306	955,200,428	2,515,566,133
Bank debentures	-	8,000,000	-	4,000,000	62,610,000	74,610,000
Other items of cash outflow on maturity	4,368,162	27,394	13,177	44,731	250,261	4,703,725

In the above table, the maturity analysis of deposits and remittances by residual-maturity period was based on TCB and its subsidiary's historical experience. Assuming that all demand deposits as of March 31, 2018, December 31, 2017 and March 31, 2017 must be repaid soon, the capital expenditure will be increased by $1,356,004,579 thousand, $1,382,433,220 thousand and $1,301,991,773 thousand, respectively, within 30 days these balance sheet dates.

TCB and its subsidiary assess the maturity dates of contracts to understand the basic elements of all derivative financial instruments shown in the balance sheets. The amounts used in the maturity analyses of derivative financial liabilities are based on contractual cash flows, so some of these amounts may not correspond to the amounts shown in the consolidated balance sheets. The maturity analysis of derivative financial liabilities is as follows:

a) Derivative financial liabilities to be settled at net amounts

March 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days- 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency	$ 1,456	$ 991	$ 689	$ 729	$ -	$ 3,865
Interest	(2,261)	(169)	(4,423)	(6,152)	(475)	(13,480)

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days- 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency	$ 621	$ 483	$ 418	$ 138	$ -	$ 1,660
Interest	(3,677)	(401)	(2,430)	(9,393)	(1,657)	(17,558)

March 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days- 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency	$ 2,138	$ 3,080	$ 3,587	$ 3,399	$ -	$ 12,204
Interest	(2,619)	-	(2,620)	(4,498)	(7,089)	(16,826)

b) Derivative financial liabilities to be settled at gross amounts

March 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives						
Cash outflow	$ 76,870,955	$ 68,633,446	$ 75,602,101	$ 14,753,739	$ -	$ 235,860,241
Cash inflow	77,911,910	69,430,884	76,738,926	14,904,144	-	238,985,864
Interest derivatives						
Cash outflow	62,407	-	85,221	198,257	20,274,853	20,620,738
Cash inflow	529,443	5,252	-	5,340	27,300,489	27,840,524
Total cash outflow	76,933,362	68,633,446	75,687,322	14,951,996	20,274,853	256,480,979
Total cash inflow	78,441,353	69,436,136	76,738,926	14,909,484	27,300,489	266,826,388
Net cash flow	1,507,991	802,690	1,051,604	(42,512)	7,025,636	10,345,409

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives						
Cash outflow	$ 99,247,171	$ 65,867,834	$ 54,369,486	$ 36,184,259	$ -	$ 255,668,750
Cash inflow	57,779,732	66,617,923	55,079,076	36,673,161	-	216,149,892
Interest derivatives						
Cash outflow	586,432	302,851	5,283	183,819	598,882	1,677,267
Cash inflow	478,036	408,408	-	178,024	604,980	1,669,448
Total cash outflow	99,833,603	66,170,685	54,374,769	36,368,078	598,882	257,346,017
Total cash inflow	58,257,768	67,026,331	55,079,076	36,851,185	604,980	217,819,340
Net cash flow	(41,575,835)	855,646	704,307	483,107	6,098	(39,526,677)

March 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives						
Cash outflow	$ 86,283,499	$ 72,486,524	$ 42,216,559	$ 13,503,886	$ 59,370	$ 214,549,838
Cash inflow	88,352,499	73,778,684	43,043,838	13,824,589	59,661	219,059,271
Interest derivatives						
Cash outflow	299,886	308,500	349,247	172,780	20,500,784	21,631,197
Cash inflow	301,673	305,014	299,886	552,732	27,888,252	29,347,557
Total cash outflow	86,583,385	72,795,024	42,565,806	13,676,666	20,560,154	236,181,035
Total cash inflow	88,654,172	74,083,698	43,343,724	14,377,321	27,947,913	248,406,828
Net cash flow	2,070,787	1,288,674	777,918	700,655	7,387,759	12,225,793

TCB and its subsidiary conducted maturity analysis of off-balance sheet items based on the residual maturities as of the balance sheet dates. For the financial guarantee contracts issued, the maximum amounts of the guarantees are included in the earliest periods that the guarantee obligation might have been required to be fulfilled. The amounts used in the maturity analysis of off-balance sheet items are based on contractual cash flows, so some of these amounts may not correspond to those shown in the balance sheets.

March 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	$ 2,109,715	$ 10,108,422	$ 4,845,104	$ 37,883,394	$ 45,193,763	$ 100,140,398
Irrevocable credit card commitments	12,391	575,185	556,743	1,198,997	43,245,309	45,588,625
Letters of credit issued yet unused	4,161,891	10,567,782	2,413,147	1,536,423	1,176,918	19,856,161
Other guarantees	1,856,050	6,459,581	3,450,562	8,921,606	59,578,285	80,266,084

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	$ 794,925	$ 830,041	$ 11,337,789	$ 39,720,416	$ 41,694,104	$ 94,377,275
Irrevocable credit card commitments	2,348,868	80,095	792,986	1,183,528	40,676,799	45,082,276
Letters of credit issued yet unused	4,460,709	9,501,553	1,866,932	732,598	2,165,785	18,727,577
Other guarantees	3,247,217	3,405,653	5,747,747	7,742,939	59,658,710	79,802,266

March 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	$ 3,181,706	$ 2,393,132	$ 3,364,991	$ 8,558,131	$ 76,602,187	$ 94,100,147
Irrevocable credit card commitments	60,660	280,540	808,720	3,148,551	38,264,160	42,562,631
Letters of credit issued yet unused	5,669,918	11,556,587	2,307,383	930,375	2,778,237	23,242,500
Other guarantees	2,774,649	6,697,163	3,808,133	11,529,472	52,494,628	77,304,045

BNP Paribas Cardif TCB Life Insurance Co., Ltd. (BPCTLI)

Financial risk arises when future cash flows generated from financial assets are insufficient to pay insurance and investment contracts. BPCTLI has already set up a risk management mechanism and control system that can effectively identify, measure, respond to, and monitor the level of risk BPCTLI is exposed to, including market risk, credit risk, liquidity risk, etc.

The strategies adopted by management to supervise and control different financial risks as well as consider competition and changes in the economic environment were as follows:

1) Market risk

a) Market risk source and market risk factors

Market risk results from the fluctuation in the fair values of financial instruments or future cash. The risk factors causing market price changes include interest rates, exchange rates, stock prices and commodity prices, which may cause a gain or loss on net revenues and affect BPCTLI's investment portfolio.

b) Market risk strategy and procedures

BPCTLI has established management policies and market risk limits to monitor the market risk and tolerable losses.

BPCTLI monitors the limit management of financial instruments and the implementation of sensitivity analysis, stress testing and risk calculation. For management's decision making, the risk management department periodically reports to the board of directors and the Risk Management Committee.

In line with hedging against interest rate risk, the investment selection includes an assessment of the financial instrument issuers' credit and financial condition, the investing countries' risk condition and interest rate movements. If a foreign currency risk pertains to overseas investments, BPCTLI uses cross-currency swaps and foreign exchange swaps for each overseas investment and periodically measures the efficiency of these swaps. BPCTLI has investment limits and stop-loss order to control equity risk.

c) Market risk management framework

To quantify the possible loss resulting from the price fluctuations of BPCTLI assets, BPCTLI control market risk through calculating value-at-risk (VaR) regularly, combining with back testing, sensitivity analysis method and stress testing.

d) Market risk measurement

i. VaR (value at risk)

VaR measures "the worst expected loss over a target horizon with a given level of confidence and normal market environment." BPCTLI's worst expected losses for two weeks with a 99% confidence level were $491,069 thousand, $451,595 thousand and $431,703 thousand as of March 31, 2018, December 31, 2017 and March 31, 2017, respectively.

ii. Sensitivity analysis

i) Interest rate risk

Interest rate risk refers to the impact of interest rate changes on an investment portfolio value or investment gain or loss. The investment instruments exposed to interest rate risk are mainly bonds and derivative financial assets.

Assuming all other indicators had been held constant and had the interest rate increased by 0.01% as of March 31, 2018, December 31, 2017 and March 31, 2017 the fair values of financial assets would have decreased by $22,755 thousand, $21,328 thousand and $21,428 thousand, respectively.

ii) Equity risk

The equity risk includes the individual risk from the movement of individual investments and the market risk from the movement of the market as a whole.

Assuming all other indicators had been held constant and based on the asset condition of BPCTLI on March 31, 2018, December 31, 2017 and March 31, 2017, had the TAIEX fallen 1%, the fair value of the equity assets would have decreased by $20,095 thousand, $18,542 thousand and $17,775 thousand, respectively.

iii) Foreign currency risk

Foreign currency risk arises when a financial asset or liability is denominated in a currency different from the BPCTLI's base currency. This risk mainly refers to nonmonetary financial assets and liabilities.

BPCTLI's overseas financial instruments were primarily exposed to the U.S. dollar. Assuming all other factors had been held constant, no hedging had been involved, and had the U.S. dollar decreased 1% for the three months ended March 31, 2018 and 2017, the income before income tax would have decreased $189,600 thousand and $181,278 thousand, respectively.

The table below shows the carrying value of financial assets and liabilities denominated in foreign currency as of March 31, 2018, December 31, 2017 and March 31, 2017.

March 31, 2018

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Savings accounts			
USD	$ 13,735	29.09	$ 399,538
AUD	971	22.33	21,668
EUR	644	35.83	23,057
Receivables			
USD	7,207	29.09	209,666
RMB	4,716	4.64	21,896
Financial assets at FVTPL			
USD	11,423	29.09	332,304
Financial assets at FVTOCI			
USD	620,346	29.09	18,045,870
RMB	308,985	4.64	1,434,619
Financial liabilities			
Guarantee deposits			
USD	940	29.09	27,345

December 31, 2017

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Savings accounts			
USD	$ 9,446	29.66	$ 280,112
AUD	1,650	23.10	38,109
EUR	468	35.41	16,580
Receivables			
USD	11,692	29.66	346,717
RMB	3,425	4.51	15,554
Available-for-sale financial assets			
USD	374,408	29.66	11,103,061
RMB	110,568	4.51	502,089
Debt investments with no active market			
USD	240,719	29.66	7,138,534
RMB	203,069	4.51	922,137

March 31, 2017

Financial assets	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Savings accounts			
USD	$ 5,705	30.38	$ 173,304
AUD	469	23.21	10,887
EUR	412	32.42	13,366
Receivables			
USD	230	30.38	6,994
RMB	652	4.41	2,876
Available-for-sale financial assets			
USD	357,438	30.38	10,857,189
RMB	30,879	4.41	136,116
Debt investments with no active market			
USD	241,186	30.38	7,326,020
RMB	240,999	4.41	1,062,323
Financial liabilities			
Guarantee deposits			
USD	7,760	30.38	235,710

iii. Stress testing

If an extreme event or systematic risk occurs, stress testing is done to measure the potential impact of a negative development on trading book portfolio during an abnormal market period.

BPCTLI does stress testing by analyzing market risk stress testing and different stress testing scenarios from Bloomberg.

Assuming the Lehman crisis in 2008 reoccurred as of March 31, 2018, December 31, 2017 and March 31, 2017, the losses on financial assets would have been $2,010,683 thousand, $1,871,508 thousand and $1,871,718 thousand, respectively. Also assuming the Japan earthquake on March 11, 2011 reoccurred as of March 31, 2018, December 31, 2017 and March 31, 2017, the loss on financial assets would have been $151,958 thousand, $142,091 thousand and $129,968 thousand, respectively.

2) Credit risk

a) Credit risk definition and classifications

Credit risk refers to the risks that debtors’ credit is downgraded or the counterparty cannot make payments or refuses to perform contractual obligations. The credit exposure primarily refers to investments in debt and derivative instruments.

b) Credit risk strategy and procedures

BPCTLI controls credit risk as follows:

i. Investment credit limit and the control of concentration of credit risk

The investment department complies with insurance laws and applicable regulations, follows company credit limits and investment management policies for every type of investment product, and reviews the appropriateness of investment transactions to lower the concentration of risks. After the completion of each transaction, the risk management department regularly monitors the credit risk and reports the exposure to various credit limits in each committee meeting.

ii. Stress testing

Using the scenario from the Insurance Bureau, BPCTLI periodically tests the impact on financial asset income and loss of the concentration of credit risk and credit default ratio.

iii. Credit risk reduction policy

If a bond is downgraded below the authorized minimum rating, the investment department will assess the impact caused and decide whether or not to dispose of the assets. When a decision is reached not to dispose of the assets, the investment department should provide the investment withdrawal committee a sufficient reason for its decision. If approval by the investment withdrawal committee is not given within two months of the proposed asset disposal, the assets are disposed of immediately by the investment department.

Some financial assets such as cash and cash equivalents, financial assets at fair value through profit or loss and refundable deposits are regarded as having very low credit risk because of the good credit ratings of counterparties. The credit analysis of other financial assets is as follows:

iv. Credit analysis for bonds

	March 31, 2018		
	Carrying Amount	**Fair Value**	**%**
Domestic investment - government bonds (Note 1)	$ 20,429,202	$ 20,429,202	50
Domestic investment - corporate bonds (twAAA - twAA)	1,438,720	1,438,720	3
Overseas investment - government bonds	585,936	585,936	1
Overseas investment - corporate bonds and bank debentures (Aa2 - A3)	16,065,945	16,065,945	39
Overseas investment - corporate bonds and bank debentures (Baa1 - Ba1)	2,828,608	2,828,608	7
	$ 41,348,411	$ 41,348,411	100

	December 31, 2017		
	Carrying Amount	Fair Value	%
Domestic investment - government bonds (Note 1)	$ 21,127,247	$ 21,127,247	50
Domestic investment - corporate bonds (twAAA - twAA)	1,428,999	1,437,198	4
Overseas investment - government bonds	23,298	23,298	-
Overseas investment - corporate bonds and bank debentures (Aa2 - A3)	17,335,789	17,529,382	41
Overseas investment - corporate bonds and bank debentures (Baa1 - Ba1)	2,077,898	2,081,877	5
	$ 41,993,231	$ 42,199,002	100

	March 31, 2017		
	Carrying Amount	Fair Value	%
Domestic investment - government bonds (Note 1)	$ 20,657,375	$ 20,657,375	51
Domestic investment - corporate bonds (twAAA - twAA)	1,015,639	1,024,218	2
Overseas investment - government bonds	5,868	5,868	-
Overseas investment - corporate bonds and bank debentures (Aa2 - A3)	15,631,595	15,750,838	38
Overseas investment - corporate bonds and bank debentures (Baa1 - Ba1)	3,418,977	3,444,286	9
	$ 40,729,454	$ 40,882,585	100

Note 1: The above domestic government bonds include other assets - operating deposits.

Note 2: The sources of credit ratings are Taiwan Ratings Corp. and Moody's Investors Service, Inc.

3) Liquidity risk

a) Source and definition of liquidity risk

Liquidity risk means BPCTLI cannot provide sufficient funding for asset size growth and for meeting obligations on matured liabilities.

b) Liquidity risk management strategy and principles

BPCTLI does annual and monthly cash flow analysis based on its budgets, makes daily cash estimates, and reviews the flow of funds to ensure the accuracy and timeliness of liquidity risk management. BPCTLI's liquidity risk is reviewed by the Asset Liability Committee quarterly and by the Investment Committee, monthly.

c) Maturity analysis

i. For the liquidity risk management of financial assets' and non-derivative financial liabilities' maturity analysis

To ensure that it has sufficient cash on hand for liability payments and asset purchases (BPCTLI has no bank loans and financial guarantees, and all the non- derivative liabilities will expire in less than one year), BPCTLI can use unrestricted cash, consisting of financial institution deposits, certificate deposits (including conditional bonds), quasi-foreign currency mutual funds, etc.

ii. Maturity analysis of derivatives

The following table shows BPCTLI's liquidity analysis of its derivative financial instruments. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by yield curves at the end of the reporting period.

	March 31, 2018			
	Within One Year	1 Year to 3 Years	3 Years to 5 Years	Over Five Years
Net settled				
Currency swap contracts	$ 53,708	$ -	$ -	$ -

	December 31, 2017			
	Within One Year	1 Year to 3 Years	3 Years to 5 Years	Over Five Years
Net settled				
Cross-currency swap contracts	$ 5,067	$ -	$ -	$ -
Currency swap contracts	208,275	-	-	-
	$ 213,342	$ -	$ -	$ -

	March 31, 2017			
	Within One Year	1 Year to 3 Years	3 Years to 5 Years	Over Five Years
Net settled				
Cross-currency swap contracts	$ (21,757)	$ -	$ -	$ -
Currency swap contracts	431,685	-	-	-
	$ 409,928	$ -	$ -	$ -

f. Insurance contracts

To pursue a sustainable development, to protect the interests of the policyholders and to ensure that capital is adequate for fulfilling its repayment obligations, BPCTLI has formed risk management policies, set up a risk management committee under the board of directors and a risk management department, which is independent from its operation departments, in accordance with the Risk Management Practice Manual for Insurance Industry and practice guideline No. 09802512072 issued by the Taiwan Financial Supervisory Commission on December 31, 2009.

The risk management program and procedure are summarized as follows:

1) Insurance risk management and measurement

Insurance risk refers to the possibility of BPCTLI's not having sufficient assets to meet future obligations on an insured event. The risk on an insurance contract is random and is thus unpredictable.

BPCTLI's risk exposures involve mortality, morbidity, withdrawal rates, interest rates and fee rates, as well as the uncertainty of the returns on insurance premium investments. Based on the nature of an insurance contract, the occurrence of a covered event, the uncertainty of the amount and the timing are the inherent risks. For life, injury or health insurance, underwriting risks include mortality, accident or morbidity. The significant insurance liability risks are the frequency and severity of the accident covered by the insurance and the actual liability payment exceeding the expected liability payment. BPCTLI is also exposed to loss from natural and man-made disasters, and the frequency and severity of and loss on these disasters are unpredictable. The risks on annuity insurance contracts pertain to the constantly improving health care in society, which helps extend people's life span.

The exposure to insurance risk is influenced by the policyholders' behavior, such as reducing insurance coverage in the future, stopping paying insurance premium or terminating the insurance contract.

BPCTLI spreads out its insurance risk by developing appropriate policy pricing and underwriting strategies and acquiring a sufficient number of policyholders in each risk range so that the variances in the average amounts of claim payments decrease as the number of claims increases. For added safety, BPCTLI manages its insurance risks through issuing a large number of mixed policies and obtaining reinsurance against natural disasters with reinsurance companies to avoid large claims.

2) Concentration of insurance risk and the development of claims

BPCTLI sells its products all over Taiwan and has no concentration of credit risk in a particular geographic region, clientele, age, or profession. To prevent the accumulated risk from going beyond what BPCTLI can tolerate, BPCTLI has evaluated the insurance risk associated with each product and obtained reinsurance against natural disasters with reinsurance companies to avoid the risk of large claims.

The following table shows the development of claims (the cases within one year are not included), and it explains how BPCTLI evaluates claims through development ages. The circumstance and development of reserve claims may change in the future. Thus, actual future claims cannot be determined just by using the following tables.

a) Development of direct business loss

	Development Ages									Claim
	1	2	3	4	5	6	7	8	9	Reserve
2010	$ 3	$ 35	$ 35	$ 35	$ 35	$ 35	$ 35	$ 35	$ 35	$ -
2011	4,170	7,263	7,786	7,854	7,854	8,034	8,034	8,034	8,034	-
2012	12,366	20,155	21,177	21,070	21,111	21,112	21,112	21,112	21,112	-
2013	19,586	27,531	27,762	28,666	28,555	28,551	28,551	28,551	28,551	-
2014	25,862	28,357	28,976	31,011	31,016	31,016	31,016	31,016	31,016	-
2015	35,899	42,080	42,346	42,352	42,359	42,359	42,359	42,359	42,359	7
2016	26,485	31,219	31,297	31,632	31,639	31,639	31,639	31,639	31,639	342
2017	51,930	63,045	64,463	66,708	66,720	66,720	66,720	66,720	66,720	3,675
2018	75,345	96,011	98,362	102,470	102,486	102,486	102,486	102,486	102,486	27,141
								Incurred but not reported		31,165
								Reported but not paid		27,861
								Balance of claim reserve		$ 59,026

b) Development of retained business

	Development Ages									Claim
	1	2	3	4	5	6	7	8	9	Reserve
2010	$ 3	$ 35	$ 35	$ 35	$ 35	$ 35	$ 35	$ 35	$ 35	$ -
2011	4,170	7,263	7,786	7,854	7,854	8,034	8,034	8,034	8,034	-
2012	10,307	18,108	19,129	19,023	19,063	19,065	19,065	19,065	19,065	-
2013	19,497	26,841	27,071	27,975	27,864	27,860	27,860	27,860	27,860	-
2014	25,174	27,659	28,278	30,313	30,318	30,318	30,318	30,318	30,318	-
2015	31,538	37,711	37,977	37,983	37,990	37,990	37,990	37,990	37,990	7
2016	25,930	30,590	30,668	30,986	30,993	30,993	30,993	30,993	30,993	325
2017	49,801	58,410	59,579	61,115	61,126	61,126	61,126	61,126	61,126	2,716
2018	71,091	90,988	93,271	97,371	97,386	97,386	97,386	97,386	97,386	26,295
								Incurred but not reported		29,343
								Reported but not paid		21,376
								Balance of claim reserve		$ 50,719

3) Sensitivity analysis of insurance risk

Based on relevant insurance laws and regulations, when calculating the liability reserve, assumptions used at the time of purchase are locked in, but such assumptions may change as time passes. According to IFRS 4 "Insurance Contracts," a liability adequacy test is needed to determine whether BPCTLI has sufficient insurance liability. BPCTLI performed a sensitivity analysis with changes in the assumptions on death rate, illness rate, and withdrawal rate. The results are as follows:

Insurance contracts and investment contracts with a discretionary participation feature.

	March 31, 2018		
	Changes in the Assumptions	**Impact on Income Before Income Tax**	**Impact on Equity**
Discount rate	0.25%	$ 17,800	$ 14,774
Discount rate	(0.25%)	(17,840)	(14,807)
Mortality rate	10.00%	(4,922)	(4,085)
Mortality rate	(10.00%)	4,921	4,085
Withdrawal rate	30.00%	2,134	1,771
Withdrawal rate	(30.00%)	(2,177)	(1,807)
Illness rate/loss rate	15.00%	(3,472)	(2,882)
Expense rate	10.00%	(18,383)	(15,258)

	December 31, 2017		
	Changes in the Assumptions	**Impact on Income Before Income Tax**	**Impact on Equity**
Discount rate	0.25%	$ 70,646	$ 58,636
Discount rate	(0.25%)	(70,803)	(58,767)
Mortality rate	10.00%	(18,311)	(15,198)
Mortality rate	(10.00%)	18,310	15,198
Withdrawal rate	30.00%	8,994	7,465
Withdrawal rate	(30.00%)	(9,388)	(7,792)
Illness rate/loss rate	15.00%	(12,255)	(10,171)
Expense rate	10.00%	(65,257)	(54,163)

	March 31, 2017		
	Changes in the Assumptions	Impact on Income Before Income Tax	Impact on Equity
Discount rate	0.25%	$ 17,924	$ 14,877
Discount rate	(0.25%)	(17,964)	(14,910)
Mortality rate	10.00%	(3,864)	(3,207)
Mortality rate	(10.00%)	3,864	3,207
Withdrawal rate	30.00%	1,665	1,382
Withdrawal rate	(30.00%)	(2,006)	(1,665)
Illness rate/loss rate	15.00%	(2,821)	(2,342)
Expense rate	10.00%	(15,153)	(12,577)

Note 1: After-tax balances were used to calculate the equity.

Note 2: The result is non-linear and is limited to changes in the assumptions presented above.

Note 3: Changes in the assumptions presented above are scenarios and the range of change may be interrelated.

Note 4: The sensitivity analysis does not consider market changes that have an impact on the operation (e.g., buy/sell asset positions, changes in the allocation of assets, adjustments in the declared interest rate of the policy, etc.).

4) Credit risk, liquidity risk, and market risk

a) Market risk

Under the Regulations Governing the Reserves by Insurance Enterprises and relevant laws and regulations, BPCTLI calculates reserves at the assumed interest rate and risk occurrence rate set by the supervisory authorities. The expected rates are tied to the policy before sale. These rates are not affected by market rate changes since the long-term trend rate set by the authorities has taken into consideration the assumed interest and the related timing, amount and direction.

Based on IFRS 4, if the liability adequacy test is insufficient, BPCTLI should accrue the shortage as reserve for liability adequacy. The reserve for liability adequacy is not affected by market rate changes.

BPTCLI believes that the supervisory authorities would not soon change the calculation of life policy reserve from the fixed interest rate to float interest rate and that market risks would not significantly affect profit and loss.

b) Credit risk

BPCTLI has ceded reinsurance and assessed the credit of a reinsurance company to ensure the assets and claims recovered from reinsurances are not impaired. The biggest credit risk amount is equal to the book value of the reinsurance assets.

c) Liquidity risk

BPCTLI predicts the future cash flows of assets and liabilities through an asset-liability matching model to ensure there are enough cash flows to cover a predicted liability obligation. The measure is used as a long-term control mechanism for liquidity risk.

Under related laws and regulations, the individual face values of BPCTLI's insurance policies are all greater than their surrender value. Thus, the liquidity risks on agreement cancellations would not be significant. In addition, under the materiality principle, if a policyholder cancels its coverage, BPCTLI will not disclose the cash flow maturity analysis in its financial statements if the coverage amount is not significant.

g. Transfers of financial assets

Under the Company operations, most of derecognized financial assets are securities sold under repurchase agreements, and the contractual cash flows have been transferred to others. The Company has the responsibility to repurchase transferred financial assets at fixed prices, and cannot use, sell and pledge transferred financial assets. However, the Company is still in the risk exposure of interest rate and credit, so the transferred financial assets cannot be removed entirely. The information on derecognized financial assets and liabilities is as follows:

March 31, 2018					
Financial Assets	**Carrying Amount of Transferred Financial Assets**	**Carrying Amount of Related Financial Liabilities**	**Fair Value of Transferred Financial Assets**	**Fair Value of Related Financial Liabilities**	**Net Position of Fair Value**
Financial assets at FVTPL - securities sold under repurchase agreements	$ 40,210,938	$ 40,269,989	$ 40,210,938	$ 40,269,989	$ (59,051)
Financial assets at FVTOCI - securities sold under repurchase agreements	12,098,654	12,427,141	12,098,654	12,427,141	(328,487)

December 31, 2017					
Financial Assets	**Carrying Amount of Transferred Financial Assets**	**Carrying Amount of Related Financial Liabilities**	**Fair Value of Transferred Financial Assets**	**Fair Value of Related Financial Liabilities**	**Net Position of Fair Value**
Financial assets at FVTPL - securities sold under repurchase agreements	$ 28,100,388	$ 27,656,540	$ 28,100,388	$ 27,656,540	$ 443,848
Available-for-sale financial assets - securities sold under repurchase agreements	13,460,652	13,724,116	13,460,652	13,724,116	(263,464)
Held-to-maturity financial assets - securities sold under repurchase agreements	917,098	919,182	917,098	919,182	(2,084)

March 31, 2017					
Financial Assets	**Carrying Amount of Transferred Financial Assets**	**Carrying Amount of Related Financial Liabilities**	**Fair Value of Transferred Financial Assets**	**Fair Value of Related Financial Liabilities**	**Net Position of Fair Value**
Financial assets at FVTPL - securities sold under repurchase agreements	$ 26,143,286	$ 26,070,269	$ 26,143,286	$ 26,070,269	$ 73,017
Available-for-sale financial assets - securities sold under repurchase agreements	17,628,353	18,042,850	17,628,353	18,042,850	(414,497)
Held-to-maturity financial assets - securities sold under repurchase agreements	1,225,334	1,224,489	1,254,015	1,224,489	29,526

h. Offsetting financial assets and financial liabilities

The Company is eligible to present in the balance sheet on a net basis certain derivative assets and derivative liabilities pertaining to transactions with counterparties under enforceable master netting arrangements or similar agreements and there is an intention either to make settlements on a net basis or to realize the asset and settle the liability simultaneously. A master netting agreement provides for a single net settlement of all financial instruments covered by the agreement if the counterparty defaults on any contract. Parties may also settle transactions at gross amounts if a single settlement results in cash flows being equivalent to a single net amount.

The tables below present the quantitative information on financial assets and financial liabilities that have been offset in the balance sheet or that are covered by enforceable master netting arrangements or similar agreements.

March 31, 2018

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet: Financial Instruments	Related Amounts Not Offset in the Balance Sheet: Cash Collateral Received	Net Amount
Resell agreements	$ 752,867	$ -	$ 752,867	$ (752,867)	$ -	$ -

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet: Financial Instruments	Related Amounts Not Offset in the Balance Sheet: Cash Collateral Pledged	Net Amount
Repurchase agreements	$ 52,697,130	$ -	$ 52,697,130	$ (51,575,771)	$ -	$ 1,121,359

December 31, 2017

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Received	
Resell agreements	$ 1,580,366	$ -	$ 1,580,366	$ (1,580,366)	$ -	$ -

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Pledged	
Repurchase agreements	$ 42,299,838	$ -	$ 42,299,838	$ (41,793,436)	$ -	$ 506,402

March 31, 2017

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Received	
Resell agreements	$ 1,447,120	$ -	$ 1,447,120	$ (1,447,120)	$ -	$ -

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Pledged	
Repurchase agreements	$ 45,337,608	$ -	$ 45,337,608	$ (44,696,379)	$ -	$ 641,229

45. CAPITAL MANAGEMENT

To monitor capital adequacy, the risk management department regularly reports capital adequacy ratios every month and also quarterly reviews the execution status of and actual operation data variation on the Company’s capital adequacy evaluation plan. When the actual capital adequacy ratio might go lower than the target, the Company immediately reviews the causes, prepares a report and proposes a response strategy to maintain the appropriate capital adequacy levels.

Under the Financial Holding Company Act and related regulations, TCFHC should maintain a consolidated capital adequacy ratio (CAR) of at least 100%. If the ratio falls below 100%, the appropriation of earnings as cash dividends or other assets will be restricted and the authorities may discipline TCFHC, depending on the situation.

The Banking Law and related regulations require that the Bank maintain the minimum requirement for unconsolidated and consolidated capital adequacy ratios (CAR), including the common equity Tier 1 ratio, Tier 1 capital ratio, and total capital adequacy ratio.

The Act Governing Bills Finance Business and related regulations require that the bills finance business maintain CARs at a minimum of 8%.

Under the rules governing securities firms and related regulations, the CAR of a securities firm should be at least 150% to ensure its stability as well as maintain the health of the security markets. If the ratio is below 150%, the authority may impose certain restrictions on a firm’s operations.

The Law of Insurance and related regulations require that the insurance business maintain CARs at a minimum of 200%.

46. TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES' ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND MATURITY ANALYSIS OF ASSETS AND LIABILITIES

a. Asset quality of Taiwan Cooperative Bank, Ltd.: Table 2 (attached).

b. Concentration of credit extensions

1) Taiwan Cooperative Bank, Ltd. (TCB)

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	March 31, 2018		
	Industry of Group Enterprise (Note 2)	**Total Amount of Credit Endorsement or Other Transactions (Note 3)**	**Percentage of TCB's Equity**
1	Group A Railway transportation	$ 41,951,293	20.46
2	Group B Harbor services	17,518,626	8.55
3	Group C Petroleum and coal products manufacturing	16,298,179	7.95
4	Group D Cotton and textile	13,460,199	6.57
5	Group E Computers and computing peripheral equipment manufacturing	12,262,420	5.98
6	Group F Cotton and textile	11,407,843	5.56
7	Group G Shipping agency	10,143,325	4.95
8	Group H Real estate development	9,782,725	4.77
9	Group I Real estate development	9,354,004	4.56
10	Group J Iron and steel smelting	9,320,213	4.55

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	March 31, 2017		
	Industry of Group Enterprise (Note 2)	**Total Amount of Credit Endorsement or Other Transactions (Note 3)**	**Percentage of TCB's Equity**
1	Group A Railway transportation	$ 44,883,293	23.19
2	Group C Petroleum and coal products manufacturing	24,250,555	12.53
3	Group B Harbor services	19,665,358	10.16
4	Group E Computers and computing peripheral equipment manufacturing	11,969,710	6.18
5	Group F Cotton and textile	11,476,399	5.93
6	Group D Cotton and textile	10,713,000	5.53
7	Group G Shipping agency	9,737,624	5.03
8	Group J Iron and steel smelting	8,704,770	4.50
9	Group K Liquid crystal panel and component manufacturing	8,084,963	4.18
10	Group I Real estate development	7,921,952	4.09

2) Taiwan Cooperative Bills Finance Corporation Ltd. (TCBF)

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	March 31, 2018		
	Industry of Group Enterprise (Note 2)	**Total Amount of Credit Endorsement or Other Transactions (Note 3)**	**Percentage of TCBF's Equity**
1	Group A Other financial intermediation not elsewhere classified	$ 960,000	18.04
2	Group B Other financial intermediation not elsewhere classified	760,000	14.28
3	Group C Shipping agency	700,000	13.15
4	Group D Real estate development	678,000	12.74
5	Group E Manmade fiber manufacturing	650,000	12.21
6	Group F Wholesale of motor vehicles and motorcycles parts and accessories	650,000	12.21
7	Group G Real estate development	612,000	11.50
8	Group H Real estate development	590,000	11.08
9	Group I Manmade fiber manufacturing	587,000	11.03
10	Group J Real estate development	568,500	10.68

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	March 31, 2017		
	Industry of Group Enterprise (Note 2)	**Total Amount of Credit Endorsement or Other Transactions (Note 3)**	**Percentage of TCBF's Equity**
1	Group A Other financial intermediation not elsewhere classified	$ 950,000	18.74
2	Group E Manmade fiber manufacturing	770,000	15.19
3	Group F Wholesale of motor vehicles and motorcycles parts and accessories	600,000	11.83
4	Group K Pulp manufacturing	550,000	10.85
5	Group L Smelting and refining of aluminum	540,000	10.65
6	Group H Real estate development	505,000	9.96
7	Group C Shipping agency	500,000	9.86
8	Group M Renting and leasing of motor vehicles	480,000	9.47
9	Group N Building completion and finishing	480,000	9.47
10	Group B Other financial intermediation not elsewhere classified	480,000	9.47

Note 1: The list shows rankings by total amount of credit, endorsement or other transactions but excludes government-owned or state-run enterprises. If the borrower is a member of a group enterprise, the total amount of credit, endorsement or other transactions of the entire group enterprise must be listed and disclosed by code and line of industry. The industry of the group enterprise should be presented as the industry of the member firm with the highest risk exposure. The lines of industry should be described in accordance with the Standard Industrial Classification System of the Republic of China published by the Directorate-General of Budget, Accounting and Statistics under the Executive Yuan.

Note 2: Group enterprise refers to a group of corporate entities as defined by Article 6 of "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings."

Note 3: Total amount of credit, endorsement or other transactions is the sum of various loans (including import and export negotiations, discounts, overdrafts, unsecured and secured short-term loans, margin loans receivable, unsecured and secured medium-term loans, unsecured and secured long-term loans and overdue loans), exchange bills negotiated, accounts receivable factored without recourse, acceptances and guarantees.

c. Interest rate sensitivity information

1) Taiwan Cooperative Bank, Ltd.

Interest Rate Sensitivity
March 31, 2018

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 2,212,737,583	$ 140,373,435	$ 10,248,692	$ 246,414,670	$ 2,609,774,380
Interest rate-sensitive liabilities	937,702,216	1,283,919,636	108,105,924	46,874,199	2,376,601,975
Interest rate sensitivity gap	1,275,035,367	(1,143,546,201)	(97,857,232)	199,540,471	233,172,405
Net worth					187,240,845
Ratio of interest rate-sensitive assets to liabilities					109.81
Ratio of interest rate sensitivity gap to net worth					124.53

Interest Rate Sensitivity
March 31, 2017

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 2,186,266,227	$ 83,850,399	$ 13,783,539	$ 230,294,167	$ 2,514,194,332
Interest rate-sensitive liabilities	880,086,789	1,241,553,346	126,617,201	55,271,928	2,303,529,264
Interest rate sensitivity gap	1,306,179,438	(1,157,702,947)	(112,833,662)	175,022,239	210,665,068
Net worth					182,502,547
Ratio of interest rate-sensitive assets to liabilities					109.15
Ratio of interest rate sensitivity gap to net worth					115.43

Note 1: The above amounts included only New Taiwan dollar amounts held by the head office and branches of the Bank (i.e., excluding foreign currency).

Note 2: Interest rate-sensitive assets and liabilities refer to interest-earning assets and interest-bearing liabilities with revenues or costs that are affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets/Interest rate-sensitive liabilities (in New Taiwan dollars).

Interest Rate Sensitivity
March 31, 2018

(In Thousands of U.S. Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 12,286,745	$ 1,008,427	$ 289,236	$ 1,427,248	$ 15,011,656
Interest rate-sensitive liabilities	14,050,978	1,733,151	853,451	-	16,637,580
Interest rate sensitivity gap	(1,764,233)	(724,724)	(564,215)	1,427,248	(1,625,924)
Net worth					610,286
Ratio of interest rate-sensitive assets to liabilities					90.23
Ratio of interest rate sensitivity gap to net worth					(266.42)

Interest Rate Sensitivity
March 31, 2017

(In Thousands of U.S. Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 11,176,379	$ 1,171,624	$ 357,140	$ 968,874	$ 13,674,017
Interest rate-sensitive liabilities	13,556,362	769,139	789,813	10,178	15,125,492
Interest rate sensitivity gap	(2,379,983)	402,485	(432,673)	958,696	(1,451,475)
Net worth					364,332
Ratio of interest rate-sensitive assets to liabilities					90.40
Ratio of interest rate sensitivity gap to net worth					(398.39)

Note 1: The above amounts included only U.S. dollar amounts held by the head office, domestic branches, OBU and overseas branches of the Bank and excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities refer to interest-earning assets and interest-bearing liabilities with revenues or costs that are affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets/Interest rate-sensitive liabilities (in U.S. dollars).

2) United Taiwan Bank S.A.

Interest Rate Sensitivity
March 31, 2018

(In Thousands of U.S. Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 324,403	$ 59,757	$ -	$ -	$ 384,160
Interest rate-sensitive liabilities	249,395	52,536	1,001	-	302,932
Interest rate sensitivity gap	75,008	7,221	(1,001)	-	81,228
Net worth					76,025
Ratio of interest rate-sensitive assets to liabilities					126.81
Ratio of interest rate sensitivity gap to net worth					106.84

Interest Rate Sensitivity
March 31, 2017

(In Thousands of U.S. Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 282,677	$ 59,335	$ -	$ -	$ 342,012
Interest rate-sensitive liabilities	198,293	74,301	867	-	273,461
Interest rate sensitivity gap	84,384	(14,966)	(867)	-	68,551
Net worth					62,312
Ratio of interest rate-sensitive assets to liabilities					125.07
Ratio of interest rate sensitivity gap to net worth					110.01

Note 1: The above amounts included only U.S. dollar amounts held by United Taiwan Bank S.A. and excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities refer to interest-earning assets and interest-bearing liabilities with revenues or costs that are affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets/Interest rate-sensitive liabilities (in U.S. dollars).

d. Profitability

1) Taiwan Cooperative Financial Holding Co., Ltd. and its subsidiaries

(%)

Items		**March 31, 2018**	**March 31, 2017**
Return on total assets	Before income tax	0.53	0.47
	After income tax	0.45	0.42
Return on equity	Before income tax	8.75	7.88
	After income tax	7.39	6.98
Net income ratio		31.25	32.00

2) Taiwan Cooperative Financial Holding Co., Ltd.

(%)

Items		**March 31, 2018**	**March 31, 2017**
Return on total assets	Before income tax	6.63	6.38
	After income tax	6.63	6.38
Return on equity	Before income tax	7.29	6.88
	After income tax	7.29	6.88
Net income ratio		98.88	98.48

3) Taiwan Cooperative Bank, Ltd.

(%)

Items		**March 31, 2018**	**March 31, 2017**
Return on total assets	Before income tax	0.51	0.46
	After income tax	0.42	0.40
Return on equity	Before income tax	8.02	7.49
	After income tax	6.70	6.47
Net income ratio		30.20	32.27

4) Taiwan Cooperative Bills Finance Corporation Ltd.

(%)

Items		**March 31, 2018**	**March 31, 2017**
Return on total assets	Before income tax	1.35	0.94
	After income tax	1.28	0.93
Return on equity	Before income tax	12.11	8.28
	After income tax	11.53	8.25
Net income ratio		95.26	123.35

5) Taiwan Cooperative Securities Co., Ltd.

(%)

Items		March 31, 2018	March 31, 2017
Return on total assets	Before income tax	(0.18)	0.66
	After income tax	(0.22)	0.57
Return on equity	Before income tax	(1.03)	2.69
	After income tax	(1.23)	2.31
Net income ratio		(10.58)	15.83

6) BNP Paribas Cardif TCB Life Insurance Co., Ltd.

(%)

Items		March 31, 2018	March 31, 2017
Return on total assets	Before income tax	0.79	0.49
	After income tax	0.71	0.68
Return on equity	Before income tax	13.82	9.07
	After income tax	12.38	12.59
Net income ratio		54.77	71.24

Note 1: Return on total assets = Income before (after) income tax/Average total assets.

Note 2: Return on equity = Income before (after) income tax/Average equity.

Note 3: Net income ratio = Income after income tax/Total net revenues.

Note 4: Income before (after) income tax represents income for each period-end date.

Note 5: The above profitability ratios are calculated on the basis of annualized figures.

e. Maturity analysis of assets and liabilities

1) Taiwan Cooperative Bank, Ltd.

Maturity Analysis of Assets and Liabilities
March 31, 2018

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	$ 2,979,918,717	$ 339,021,707	$ 326,328,182	$ 234,430,285	$ 251,233,108	$ 306,880,961	$ 1,522,024,474
Main capital outflow on maturity	3,509,425,926	244,146,639	194,797,402	376,832,857	444,661,183	669,586,897	1,579,400,948
Gap	(529,507,209)	94,875,068	131,530,780	(142,402,572)	(193,428,075)	(362,705,936)	(57,376,474)

Maturity Analysis of Assets and Liabilities
March 31, 2017

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	$ 2,870,414,611	$ 344,971,348	$ 374,748,831	$ 158,698,143	$ 226,950,012	$ 268,146,869	$ 1,496,899,408
Main capital outflow on maturity	3,364,637,213	217,949,852	177,086,265	372,315,951	414,183,083	690,591,430	1,492,510,632
Gap	(494,222,602)	127,021,496	197,662,566	(213,617,808)	(187,233,071)	(422,444,561)	4,388,776

Note: The above amounts included only New Taiwan dollar amounts held by TCB.

Maturity Analysis of Assets and Liabilities
March 31, 2018

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	$ 24,288,864	$ 9,195,735	$ 3,873,139	$ 3,519,242	$ 1,181,004	$ 6,519,744
Main capital outflow on maturity	28,166,416	11,961,249	5,523,723	3,807,404	3,760,108	3,113,932
Gap	(3,877,552)	(2,765,514)	(1,650,584)	(288,162)	(2,579,104)	3,405,812

Maturity Analysis of Assets and Liabilities
March 31, 2017

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	$ 21,391,801	$ 8,492,962	$ 3,672,572	$ 2,327,682	$ 1,222,054	$ 5,676,531
Main capital outflow on maturity	25,608,423	11,624,313	4,370,439	2,933,462	3,752,937	2,927,272
Gap	(4,216,622)	(3,131,351)	(697,867)	(605,780)	(2,530,883)	2,749,259

Note: The above amounts included only U.S. dollar amounts held by TCB.

2) United Taiwan Bank S.A.

Maturity Analysis of Assets and Liabilities
March 31, 2018

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	$ 384,161	$ 50,329	$ 13,000	$ 4,690	$ 23,482	$ 292,660
Main capital outflow on maturity	308,135	105,348	144,047	52,536	1,001	5,203
Gap	76,026	(55,019)	(131,047)	(47,846)	22,481	287,457

Maturity Analysis of Assets and Liabilities
March 31, 2017

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	$ 342,012	$ 50,380	$ 11,846	$ 10,701	$ -	$ 269,085
Main capital outflow on maturity	279,700	86,430	111,914	74,301	867	6,188
Gap	62,312	(36,050)	(100,068)	(63,600)	(867)	262,897

Note: The above amounts included only U.S. dollar amounts held by United Taiwan Bank S.A.

f. The statement of use/source funds of Taiwan Cooperative Bills Finance Corporation Ltd.

March 31, 2018

Items	Period	1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Use of funds	Bills	$ 22,753,775	$ 15,770,337	$ 4,960,386	$ 402,059	$ -
	Bonds	-	-	-	725,000	3,692,851
	Cash in bank	222,515	200	70,000	-	-
	Total	22,976,290	15,770,537	5,030,386	1,127,059	3,692,851
Source of funds	Borrowings	14,270,000	-	-	-	-
	Securities sold under repurchase agreements	29,553,994	125,106	225,204	-	-
	Equity fund	-	-	-	-	-
	Total	43,823,994	125,106	225,204	-	-
Net flows		(20,847,704)	15,645,431	4,805,182	1,127,059	3,692,851
Accumulated capital net flows		(20,847,704)	(5,202,273)	(397,091)	729,968	4,422,819

March 31, 2017

Items	Period	1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Use of funds	Bills	$ 12,991,967	$ 11,958,537	$ 900,653	$ -	$ -
	Bonds	-	44,070	732,210	900,000	14,982,891
	Cash in bank	4,690,923	120,200	-	-	-
	Total	17,682,890	12,122,807	1,632,863	900,000	14,982,891
Source of funds	Borrowings	13,020,000	-	-	-	-
	Securities sold under repurchase agreements	27,188,661	1,944,716	20,019	-	-
	Equity fund	-	-	-	-	-
	Total	40,208,661	1,944,716	20,019	-	-
Net flows		(22,525,771)	10,178,091	1,612,844	900,000	14,982,891
Accumulated capital net flows		(22,525,771)	(12,347,680)	(10,734,836)	(9,834,836)	5,148,055

47. TAIWAN COOPERATIVE BANK, LTD.'S TRUST BUSINESS UNDER THE TRUST LAW

a. Trust-related items are those shown in the following balance sheets, statements of income and trust property list

These items were managed by TCB's Trust Department. However, these items were not included in the consolidated financial statements.

Balance Sheets of Trust Accounts

Trust Assets	March 31, 2018	December 31, 2017	March 31, 2017
Cash in banks	$ 3,547,240	$ 3,319,755	$ 2,415,233
Short-term investments			
Mutual funds	160,588,905	161,531,937	152,357,552
Stocks	1,291,950	1,294,138	1,819,056
Debt instruments	3,010,437	2,698,757	1,770,142
Structured products	178,271	243,571	285,067
	165,069,563	165,768,403	156,231,817
Securities lending	339,886	304,154	668,286
Receivables	8,820	6,337	10,445
Real estate			
Land	50,289,541	49,423,289	49,188,810
Buildings	8,523	8,523	12,738
Construction in process	12,410,841	11,784,267	11,067,618
	62,708,905	61,216,079	60,269,166
Securities under custody	116,710,535	112,915,054	83,475,166
Total	$ 348,384,949	$ 343,529,782	$ 303,070,113

Trust Liabilities	March 31, 2018	December 31, 2017	March 31, 2017
Payables			
Accrued expense	$ 1,750	$ 2,785	$ 2,584
Others	2,327	2,290	2,476
Mutual funds	400	-	200
	4,477	5,075	5,260
Accounts payable on securities under custody	116,710,535	112,915,054	83,475,166
Trust capital			
Cash	166,174,193	166,811,638	156,801,469
Real estate	63,766,043	62,103,419	60,161,112
Securities	1,444,899	1,443,645	2,246,220
Others	110,520	110,521	190,858
	231,495,655	230,469,223	219,399,659
Reserves and retained earnings			
Net income	113,865	158,119	143,087
Appropriation	(193,602)	(200,645)	(150,399)
Retained earnings	254,019	182,956	197,340
	174,282	140,430	190,028
Total	$ 348,384,949	$ 343,529,782	$ 303,070,113

Trust Property List

Investment Items	March 31, 2018	December 31, 2017	March 31, 2017
Cash in banks	$ 3,547,240	$ 3,319,755	$ 2,415,233
Short-term investments			
Mutual funds	160,588,905	161,531,937	152,357,552
Stocks	1,291,950	1,294,138	1,819,056
Debt instruments	3,010,437	2,698,757	1,770,142
Structured products	178,271	243,571	285,067
Securities lending	339,886	304,154	668,286
Receivables			
Accrued interest	4,831	4,972	3,071
Cash dividends	-	-	12
Receivable on the sale of securities	400	-	200
Mutual funds	1,450	-	1,850
Others	2,139	1,365	5,312
Real estate			
Land	50,289,541	49,423,289	49,188,810
Buildings	8,523	8,523	12,738
Construction in process	12,410,841	11,784,267	11,067,618
Securities under custody	116,710,535	112,915,054	83,475,166
Total	$ 348,384,949	$ 343,529,782	$ 303,070,113

Statements of Income on Trust Accounts
For the Three Months Ended March 31, 2018 and 2017

	2018	2017
Revenues		
Interest revenue	$ 2,699	$ 1,110
Cash dividends	474	538
Unrealized gain on investment - stocks	200,797	269,201
Realized gain on investment - mutual funds	7	90
Rentals	1,783	6,073
Others	4	31
Total revenues	205,764	277,043
Expenses		
Management fees	1,054	2,088
Taxes	9	-
Service charge	58	181
Postage	20	21
Unrealized loss on investment - stocks	90,721	131,097
Realized loss on investment - mutual funds	35	568
Others	2	1
Total expenses	91,899	133,956
Income before income tax	113,865	143,087
Income tax expense	-	-
Net income	$ 113,865	$ 143,087

b. Nature of trust business operations under the Trust Law: Note 1.

48. ALLOCATION OF REVENUE, COST AND EXPENSE THAT RESULTED FROM THE SHARING OF RESOURCES BETWEEN TAIWAN COOPERATIVE FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

Under cooperation arrangements, Taiwan Cooperative Bank, Ltd. (TCB) and Taiwan Cooperative Securities (TCS) promoted securities brokerage business together; thus, related revenues received by TCB were calculated as follows: (a) revenue based on 20% of the net revenue derived from security transactions for five years. (b) related revenues from utilizing some operating sites and equipment by the TCS; and (c) receiving cross-selling service fees of $2,000 thousand annually.

To promote the credit card business together, TCB and TCS signed cooperation arrangements marketing expenses paid by TCB were based on the arrangements.

As of March 31, 2018, December 31, 2017 and March 31, 2017, TCB's accrued receivables were $2,270 thousand, $3,144 thousand and $1,797 thousand, respectively. TCB's revenues from cross-selling transactions were $2,630 thousand and $1,797 thousand for the three months ended March 31, 2018 and 2017, respectively.

To promote the insurance business together, TCB and BNP Paribas Cardif TCB Life Insurance Co., Ltd. signed cooperation arrangements. The service fees earned by TCB were based on the agreed percentage of the premiums from the insurance companies' products sold by TCB.

As of March 31, 2018, December 31, 2017 and March 31, 2017, TCB's accrued receivables were $3,299 thousand, $2,499 thousand and $3,396 thousand, respectively. TCB's revenues from cross-selling transactions were $9,787 thousand and $8,294 thousand for the three months ended March 31, 2018 and 2017, respectively.

49. TCFHC'S FINANCIAL STATEMENTS AND CONDENSED BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME OF SUBSIDIARIES

Table 3 (attached).

50. BUSINESS SEGMENT FINANCIAL INFORMATION

Table 4 (attached).

51. NON-CASH FINANCING ACTIVITIES

Undistributed cash dividends approved by stockholders' meetings are $274,604 thousand, $274,604 thousand and $244,503 thousand as of March 31, 2018, December 31, 2017 and March 31, 2017, respectively.

52. OTHER SIGNIFICANT TRANSACTIONS

Taiwan Cooperative Bank, Ltd.'s (TCB) application to set up the Changsha Branch in Mainland China was approved by the Financial Supervisory Commission on December 31, 2015. TCB invested RMB600,000 thousand in the Changsha Branch, under the "Regulations Governing Approvals of Banks to Engage in Financial Activities between the Taiwan Area and the Mainland Area." The investment in the Changsha Branch was approved by the Investment Commission under Mainland China's Ministry of Economic Affairs and relevant authorities. Changsha Branch started operation on April 27, 2017.

53. ADDITIONAL DISCLOSURES

a. Related information of significant transactions and b. investees:

1) Financing provided: TCFHC - none; TCB, UTB, TCBF, and BPCTLI - not applicable; investee company - Table 5 (attached).

2) Endorsement/guarantee provided: TCFHC - none; TCB, UTB, TCBF, and BPCTLI - not applicable; investee company - none.

3) Marketable securities held: TCFHC, TCB, UTB, TCBF, TCS and BPCTLI - not applicable; investee company - Table 6 (attached).

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 10% of the paid-in capital (TCFHC, TCB and UTB disclosed its investments acquired or disposed of): TCS and BPCTLI - not applicable; TCFHC and investee company - none.

5) Acquisition of individual real estate at costs of at least NT$300 million or 10% of the paid-in capital: None.

6) Disposal of individual real estates at costs of at least NT$300 million or 10% of the paid-in capital: None.

7) Financial asset securitization by subsidiaries: None.

8) Allowance of service fees to related parties amounting to at least NT$5 million: None.

9) Sale of nonperforming loans by subsidiaries: Table 7 (attached).

10) Receivables from related parties amounting to at least NT$300 million or 10% of the paid-in capital: Table 8 (attached).

11) Percentage share in investees and related information: Not applicable.

12) Derivative transactions: Notes 8, 41 and 44 to the consolidated financial statements

13) Other significant transactions which may affect the decisions of users of financial reports: Note 52 to the consolidated financial statements

c. Investment in Mainland China:

Based on “Regulations Governing Approvals of Banks to Engage, Ltd. in Financial Activities between the Taiwan Area and the Mainland Area,” Taiwan Cooperative Bank, Ltd. set up the Suzhou Branch, Tianjin Branch, Fuzhou Branch and Changsha Branch; Co-operative Assets Management Co., Ltd. set up Taiwan Cooperative International Leasing Co., Ltd. in Mainland China. This investment had been approved by the Financial Supervisory Commission. The information - major operating items, capital stock, the way of investment, investment inflows and outflows, the holding percentage, the investment income or loss, the carrying amount at period-end, the remitted investment profits and the limit on the amount of investment in Mainland China - can be seen in Table 9 (attached)

d. Business relationships and significant transactions among the parent company and subsidiaries: Table 10 (attached).

54. OPERATING SEGMENTS

The information reported to the Company's chief operating decision makers for the assessment of segment performance focuses mainly on business and profit or loss. The Company's reportable segments are as follows:

a. TCB business, including deposit and loan, capital, trust and other business;

b. Other noncore business.

The accounting policies of the reportable segments are the same as the Company's accounting policies described in Note 4. Segment profit is measured at income before income tax, and this measure is reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance. The terms of transactions between segments are similar to those for third parties.

The revenue, expenses and related information of the Company's reportable segments for the three months ended March 31, 2018 and 2017 are as follows:

	For the Three Months Ended March 31, 2018				
	TCB Business	**Others**	**Total**	**Adjustment and Elimination**	**Total**
Net interest	$ 8,281,289	$ 450,789	$ 8,732,078	$ -	$ 8,732,078
Net revenues and gains other than interest	2,959,750	4,462,255	7,422,005	(3,857,603)	3,564,402
Net revenues	11,241,039	4,913,044	16,154,083	(3,857,603)	12,296,480
Bad-debt expenses and provision for losses on commitment and guarantees	(1,624,510)	29,066	(1,595,444)	-	(1,595,444)
Net change in reserves for insurance liabilities	-	(76,213)	(76,213)	-	(76,213)
Operating expenses	(5,555,487)	(566,745)	(6,122,233)	48,001	(6,074,232)
Income before income tax	$ 4,061,042	$ 4,299,152	$ 8,360,193	$ (3,809,602)	$ 4,550,591

	For the Three Months Ended March 31, 2017				
	TCB Business	**Others**	**Total**	**Adjustment and Elimination**	**Total**
Net interest	$ 7,873,209	$ 448,460	$ 8,321,669	$ -	$ 8,321,669
Net revenues and gains other than interest	1,748,356	4,373,676	6,122,032	(3,520,606)	2,601,426
Net revenues	9,621,565	4,822,136	14,443,701	(3,520,606)	10,923,095
Bad-debt expenses and provision for losses on guarantees	(778,024)	64,240	(713,784)	-	(713,784)
Net change in reserves for insurance liabilities	-	(535,053)	(535,053)	-	(535,053)
Operating expenses	(5,248,882)	(523,411)	(5,772,293)	44,274	(5,728,019)
Income before income tax	$ 3,594,659	$ 3,827,912	$ 7,422,571	$ (3,476,332)	$ 3,946,239

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED ENTITIES
MARCH 31, 2018, DECEMBER 31, 2017 AND MARCH 31, 2017

Subsidiaries included in the consolidated financial statements

Investor Company	Investee Company	Location	Main Business and Products	Percentage of Ownership			Note
				March 31, 2018	December 31, 2017	March 31, 2017	
Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	Taipei City	Banking	100.00	100.00	100.00	
	Co-operative Assets Management Co., Ltd.	Taipei City	Acquisition of delinquent loans	100.00	100.00	100.00	Note
	Taiwan Cooperative Bills Finance Co., Ltd.	Taipei City	Bills finance dealer	100.00	100.00	100.00	
	Taiwan Cooperative Securities Co., Ltd.	Taipei City	Securities dealer	100.00	100.00	100.00	
	Taiwan Cooperative Securities Investment Trust Co., Ltd.	Taipei City	Securities investment trust	100.00	100.00	100.00	Note
	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taipei City	Life insurance	51.00	51.00	51.00	
	Taiwan Cooperative Venture Capital Co., Ltd.	Taipei City	Venture capital	100.00	100.00	100.00	Note
Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	Belgium	Banking	90.02	90.02	90.02	
Co-operative Assets Management Co., Ltd.	Taiwan Cooperative International Leasing Co., Ltd.	Suzhou, China	Leasing	100.00	100.00	100.00	Note

Subsidiaries not included in the consolidated financial statements

Investor Company	Investee Company	Location	Main Business and Products	Percentage of Ownership			Note
				March 31, 2018	December 31, 2017	March 31, 2017	
None	-	-	-	-	-	-	

Note: Non-major subsidiary, which financial reports for the three months ended March 31, 2018 and 2017 are not reviewed.

TAIWAN COOPERATIVE BANK, LTD.

ASSET QUALITY - NONPERFORMING LOANS AND RECEIVABLES
MARCH 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, %)

Period			March 31, 2018					March 31, 2017				
Items			**Nonperforming Loans (Note 1)**	**Loans**	**Ratio of Nonperforming Loans (Note 2)**	**Allowance for Credit Losses**	**Coverage Ratio (Note 3)**	**Nonperforming Loans (Note 1)**	**Loans**	**Ratio of Nonperforming Loans (Note 2)**	**Allowance for Credit Losses**	**Coverage Ratio (Note 3)**
Corporate banking	Secured		$ 2,767,927	$ 674,760,009	0.41	$ 7,115,732	257.08	$ 3,978,029	$ 673,454,436	0.59	$ 7,233,038	181.82
	Unsecured		1,468,977	608,110,404	0.24	7,634,091	519.69	1,899,449	508,328,551	0.37	6,596,709	347.30
Consumer banking	Housing mortgage (Note 4)		1,312,534	502,361,994	0.26	7,624,157	580.87	1,027,097	491,636,542	0.21	7,459,329	726.25
	Cash card		-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)		43,863	12,695,000	0.35	120,780	275.36	237,712	12,996,900	1.83	250,011	105.17
	Other (Note 6)	Secured	1,030,711	271,238,715	0.38	3,006,560	291.70	600,326	254,240,432	0.24	1,464,693	243.98
		Unsecured	47,578	8,564,099	0.56	139,380	292.95	82,090	8,307,243	0.99	184,138	224.31
Loan			6,671,590	2,077,730,221	0.32	25,640,700	384.33	7,824,703	1,948,964,104	0.40	23,187,918	296.34
			Nonperforming Receivables (Note 1)	**Receivables**	**Ratio of Nonperforming Receivables (Note 2)**	**Allowance for Credit Losses**	**Coverage Ratio (Note 3)**	**Nonperforming Receivables (Note 1)**	**Receivables**	**Ratio of Nonperforming Receivables (Note 2)**	**Allowance for Credit Losses**	**Coverage Ratio (Note 3)**
Credit cards			8,821	3,530,080	0.25	51,078	579.05	12,270	3,093,788	0.40	55,042	448.59
Accounts receivable factored without recourse (Note 7)			-	290,410	-	19,367	-	-	470,151	-	6,025	-
Amounts of executed contracts on negotiated debts not reported as nonperforming loans (Note 8)			1,334					1,892				
Amounts of executed contracts on negotiated debts not reported as nonperforming receivables (Note 8)			8,669					11,675				
Amounts of executed debt-restructuring projects not reported as nonperforming loans (Note 9)			15,765					17,685				
Amounts of executed debt-restructuring projects not reported as nonperforming receivables (Note 9)			46,990					50,721				

Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans."
Nonperforming credit card receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau's letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Ratio of nonperforming loans: Nonperforming loans ÷ Outstanding loan balance.
Ratio of nonperforming receivables: Nonperforming receivables ÷ Outstanding receivable balance.

Note 3: Coverage ratio of loans: Allowance for credit losses for loans ÷ Nonperforming loans.
Coverage ratio of receivables: Allowance for credit losses for receivables ÷ Nonperforming receivables.

Note 4: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower, the spouse or minor children of the borrowers.

Note 5: Based on the Banking Bureau's letter dated December 19, 2005 (Ref. No. 09440010950), small-scale credit loans are unsecured, involve small amounts and exclude credit cards and cash cards.

Note 6: Other consumers banking loans refer to secured or unsecured loans that exclude housing mortgage, cash and credit cards, and small-scale credit loans.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494), accounts receivable factored without recourse are reported as nonperforming receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.

Note 8: Amounts of executed contracts on negotiated debts that are not reported as nonperforming loans or receivables are disclosed to the public in accordance with the Banking Bureau's letter dated April 25, 2006 (Ref. No. 09510001270).

Note 9: Amounts of executed debt-restructuring projects not reported as nonperforming loans or receivables are disclosed to the public in accordance with the Banking Bureau's letter dated September 15, 2008 (Ref. No. 09700318940) and letter dated September 20, 2016 (Ref. No. 10500134790).

TABLE 3

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

TCFHC'S FINANCIAL STATEMENTS AND CONDENSED BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME OF SUBSIDIARIES FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017

1. TCFHC's financial statements

Taiwan Cooperative Financial Holding Co., Ltd.

Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	March 31, 2018	December 31, 2017	March 31, 2017	Liabilities and Equity	March 31, 2018	December 31, 2017	March 31, 2017
Cash and cash equivalents	$ 55,662	$ 59,315	$ 48,949	Liabilities			
Financial assets at fair value through other comprehensive income	25,000	-	-	Commercial paper issued, net	$ 18,084,245	$ 18,019,041	$ 13,574,154
Receivables	490	150	618	Payables	220,071	198,827	195,606
Current tax assets	2,516,255	1,680,272	2,020,556	Current tax liabilities	2,536,136	1,700,153	2,037,842
Investments accounted for using equity method	224,323,204	219,327,236	212,040,696	Other financial liabilities	1,375	353	734
Properties and equipment, net	2,187	2,291	1,249	Other liabilities	7,752	7,105	7,732
Intangible assets	174	237	1,307	Total liabilities	20,849,579	19,925,479	15,816,068
Deferred tax assets	233	233	191				
Other assets	7,832	7,785	3,766	Equity			
				Capital stock	122,027,036	122,027,036	118,472,850
				Capital surplus	57,964,343	57,964,343	57,964,343
				Retained earnings	23,738,462	20,393,446	22,242,217
				Other equity	2,351,617	767,215	(378,146)
				Total equity	206,081,458	201,152,040	198,301,264
Total	$ 226,931,037	$ 221,077,519	$ 214,117,332	Total	$ 226,931,037	$ 221,077,519	$ 214,117,332

(Continued)

Taiwan Cooperative Financial Holding Co., Ltd.

Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended March 31	
	2018	**2017**
Revenues and gains		
Share of gains of subsidiaries, associates and joint ventures accounted for using equity method	$ 3,805,807	$ 3,447,257
Other revenues and gains	298	180
Total revenues and gains	3,806,105	3,447,437
Expenses and losses		
Share of losses of subsidiaries, associates and joint ventures accounted for using equity method	25,872	-
Operating expenses	46,295	52,284
Other expenses and losses	20,553	17,897
Total expenses and losses	92,720	70,181
Income before income tax	3,713,385	3,377,256
Income tax benefit	-	-
Net income	3,713,385	3,377,256
Other comprehensive income (loss)	(1,313,131)	246,010
Total comprehensive income	$ 2,400,254	$ 3,623,266
Earnings per share (New Taiwan dollars)		
Basic	$0.30	$0.28
Diluted	$0.30	$0.28

(Continued)

Taiwan Cooperative Financial Holding Co., Ltd.

Statements of Changes in Equity
(In Thousands of New Taiwan Dollars)

	Capital Stock			Retained Earnings			Other Equity					
	Shares (In Thousands)	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value through Profit or Loss	Other Comprehensive Income on Reclassification of Overlay Approach	Total Equity
BALANCE, JANUARY 1, 2018	12,202,704	$ 122,027,036	$ 57,964,343	$ 5,019,668	$ 996,026	$ 14,377,752	$ (1,177,934)	$ -	$ 1,942,735	$ 2,414	$ -	$ 201,152,040
Effect of retrospective application	-	-	-	-	-	(374,852)	-	4,663,892	(1,942,735)	-	182,859	2,529,164
BALANCE AT JANUARY 1, 2018 AS RESTATED	12,202,704	122,027,036	57,964,343	5,019,668	996,026	14,002,900	(1,177,934)	4,663,892	-	2,414	182,859	203,681,204
Gains on disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	6,483	-	(6,483)	-	-	-	-
Total comprehensive income												
Net income for the three months ended March 31, 2018	-	-	-	-	-	3,713,385	-	-	-	-	-	3,713,385
Other comprehensive income for the three months ended March 31, 2018	-	-	-	-	-	-	(453,015)	(877,932)	-	12,543	5,273	(1,313,131)
Total comprehensive income for the three months ended March 31, 2018	-	-	-	-	-	3,713,385	(453,015)	(877,932)	-	12,543	5,273	2,400,254
BALANCE, MARCH 31, 2018	12,202,704	$ 122,027,036	$ 57,964,343	$ 5,019,668	$ 996,026	$ 17,722,768	$ (1,630,949)	$ 3,779,477	$ -	$ 14,957	$ 188,132	$ 206,081,458
BALANCE, JANUARY 1, 2017	11,847,285	$ 118,472,850	$ 57,964,343	$ 3,643,188	$ 996,026	$ 14,225,747	$ (9,285)	$ -	$ (649,369)	$ 34,498	$ -	$ 194,677,998
Total comprehensive income												
Net income for the three months ended March 31, 2017	-	-	-	-	-	3,377,256	-	-	-	-	-	3,377,256
Other comprehensive income for the three months ended March 31, 2017	-	-	-	-	-	-	(590,234)	-	837,357	(1,113)	-	246,010
Total comprehensive income for the three months ended March 31, 2017	-	-	-	-	-	3,377,256	(590,234)	-	837,357	(1,113)	-	3,623,266
BALANCE, MARCH 31, 2017	11,847,285	$ 118,472,850	$ 57,964,343	$ 3,643,188	$ 996,026	$ 17,603,003	$ (599,519)	$ -	$ 187,988	$ 33,385	$ -	$ 198,301,264

(Continued)

Taiwan Cooperative Financial Holding Co., Ltd.

Statements of Cash Flows
(In Thousands of New Taiwan Dollars)

	For the Three Months Ended March 31	
	2018	**2017**
Cash flows from operating activities		
Income before income tax	$ 3,713,385	$ 3,377,256
Adjustments for:		
Share of gains of subsidiaries, associates and joint ventures accounted for using equity method	(3,779,935)	(3,447,257)
Depreciation and amortization expenses	245	1,446
Interest expense	20,553	17,897
Net changes in operating assets and liabilities		
Increase in financial assets at fair value through profit or loss	(25,000)	-
Increase in receivables	(340)	(457)
Increase in other assets	(47)	(33)
Increase in payables	21,244	29,983
Increase in other liabilities	647	571
Cash used in operations	(49,248)	(20,594)
Interest paid	(25,349)	(14,606)
Income tax paid	-	-
Net cash used in operating activities	(74,597)	(35,200)
Cash flows from investing activities		
Acquisition of properties and equipment	(78)	-
Cash flows from financing activities		
Increase in commercial paper issued	70,000	50,000
Increase in other financial liabilities	1,022	538
Net cash generated by financing activities	71,022	50,538
Net increase (decrease) in cash and cash equivalents	(3,653)	15,338
Cash and cash equivalents, beginning of the period	59,315	33,611
Cash and cash equivalents, end of the period	$ 55,662	$ 48,949

(Continued)

2. Subsidiaries' condensed balance sheets

Taiwan Cooperative Bank, Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	March 31, 2018	December 31, 2017	March 31, 2017
Cash and cash equivalents	$ 42,462,270	$ 63,562,455	$ 51,251,071
Due from the Central Bank and call loans to other banks	251,739,586	274,341,552	285,498,537
Financial assets at fair value through profit or loss	9,866,405	12,862,843	22,446,842
Financial assets at fair value through other comprehensive income	243,945,333	-	-
Investments in debt instruments at amortized cost	514,562,865	-	-
Securities purchased under resell agreements	-	249,463	-
Receivables, net	17,210,608	18,593,582	14,514,544
Current tax assets	1,347,728	1,402,132	1,161,413
Discounts and loans, net	2,051,670,794	1,993,819,434	1,925,371,215
Available-for-sale financial assets	-	154,441,496	133,757,408
Held-to-maturity financial assets	-	513,789,325	507,106,095
Investments accounted for using equity method	2,119,543	2,073,809	1,826,821
Other financial assets, net	25,645,873	107,002,789	103,426,759
Properties and equipment, net	33,846,175	33,926,763	37,834,127
Investment properties, net	6,990,938	6,984,409	2,880,007
Intangible assets	3,480,271	3,513,492	3,518,079
Deferred tax assets	2,052,871	1,282,022	1,500,756
Other assets, net	937,705	606,519	3,763,944
Total	$ 3,207,878,965	$ 3,188,452,085	$ 3,095,857,618

Liabilities and Equity	March 31, 2018	December 31, 2017	March 31, 2017
Liabilities			
Due to the Central Bank and other banks	$ 249,852,440	$ 212,300,065	$ 227,492,840
Financial liabilities at fair value through profit or loss	15,292,877	14,450,851	17,129,853
Securities sold under repurchase agreements	10,776,284	10,377,142	10,610,060
Payables	34,863,372	45,179,629	39,590,063
Current tax liabilities	1,973,138	1,185,896	1,274,421
Deposits and remittances	2,610,981,033	2,624,598,335	2,515,434,925
Bank debentures	64,610,000	64,610,000	74,610,000
Other financial liabilities	2,504,421	3,749,545	4,703,725
Provisions	7,661,317	7,624,197	7,360,652
Deferred tax liabilities	3,071,958	2,996,390	2,981,439
Other liabilities	1,291,957	1,119,382	1,098,687
Total liabilities	3,002,878,797	2,988,191,432	2,902,286,665
Equity			
Capital stock	88,081,300	88,081,300	85,863,000
Capital surplus	58,767,245	58,767,245	55,985,497
Retained earnings	56,073,270	52,986,510	52,245,328
Other equity	2,078,353	425,598	(522,872)
Total equity	205,000,168	200,260,653	193,570,953
Total	$ 3,207,878,965	$ 3,188,452,085	$ 3,095,857,618

(Continued)

Taiwan Cooperative Bills Finance Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	March 31, 2018	December 31, 2017	March 31, 2017	Liabilities and Equity	March 31, 2018	December 31, 2017	March 31, 2017
Cash and cash equivalents	$ 52,515	$ 4,167,558	$ 4,070,923	Liabilities			
Financial assets at fair value through profit or loss	44,906,911	30,168,918	25,822,397				
Available-for-sale financial assets, net	-	6,075,585	14,313,224	Call loans from banks	$ 14,270,000	$ 16,223,000	$ 13,020,000
Financial assets at fair value through other comprehensive income	4,515,614	-	-	Financial liabilities at fair value through profit or loss	50,078	-	-
				Securities sold under repurchase agreements	29,897,065	21,891,617	29,144,358
Receivables, net	164,776	134,318	173,233	Payables	60,428	80,888	65,511
Held-to-maturity financial assets	-	83,285	2,577,756	Provisions	525,922	537,922	693,822
Current tax assets	87,000	2,401,826	91,816	Other liabilities	81,522	44,050	38,657
Other financial assets	240,200	649,477	749,477	Total liabilities	44,885,015	38,777,477	42,962,348
Properties and equipment, net	12,246	12,186	12,420				
Intangible assets	6,473	6,995	7,299	Equity			
Other assets, net	221,827	213,934	214,493				
				Capital stock	3,547,270	3,547,270	3,547,270
				Capital surplus	3,240	3,240	3,240
				Retained earnings	1,724,765	1,577,666	1,495,106
				Other equity	47,272	8,429	25,074
				Total equity	5,322,547	5,136,605	5,070,690
Total	$ 50,207,562	$ 43,914,082	$ 48,033,038	Total	$ 50,207,562	$ 43,914,082	$ 48,033,038

Taiwan Cooperative Securities Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	March 31, 2018	December 31, 2017	March 31, 2017	Liabilities and Equity	March 31, 2018	December 31, 2017	March 31, 2017
Current assets	$ 32,150,666	$ 27,362,506	$ 22,007,918	Liabilities			
Financial assets at fair value through other comprehensive income - noncurrent	47,774	-	-	Current liabilities	$ 27,309,570	$ 22,472,153	$ 17,321,695
Available-for-sale financial assets - noncurrent	-	31,734	31,874	Deferred tax liabilities	341	1,229	1,567
Financial assets carried at cost - noncurrent	-	16,845	16,845	Other liabilities	3,199	4,018	6,389
Properties and equipment, net	50,511	54,159	68,887	Total liabilities	27,313,110	22,477,400	17,329,651
Intangible assets	49,999	54,982	46,581				
Deferred tax assets	30,351	11,329	14,904	Equity			
Other noncurrent assets	429,817	418,849	417,483				
				Capital stock	4,724,200	4,724,200	4,724,200
				Capital surplus	294,440	294,440	294,440
				Retained earnings	427,481	453,386	258,144
				Other equity	(113)	978	(1,943)
				Total equity	5,446,008	5,473,004	5,274,841
Total	$ 32,759,118	$ 27,950,404	$ 22,604,492	Total	$ 32,759,118	$ 27,950,404	$ 22,604,492

(Continued)

Co-operative Assets Management Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	**March 31, 2018**	**December 31, 2017**	**March 31, 2017**	**Liabilities and Equity**	**March 31, 2018**	**December 31, 2017**	**March 31, 2017**
Current assets	$ 19,048	$ 44,372	$ 21,022	Liabilities			
Financial assets at fair value through other comprehensive income	25,000	-	-	Current liabilities	$ 2,775,646	$ 2,336,557	$ 1,740,644
Accounts receivable, net	2,037,712	1,910,908	2,152,418	Deferred tax liabilities	20,914	17,157	9,211
Investments accounted for using the equity method	937,015	908,023	845,183	Other liabilities	48,244	35,175	25,908
Properties and equipment, net	4,506	4,723	3,416	Total liabilities	2,844,804	2,388,889	1,775,763
Investment properties, net	2,389,503	2,022,719	1,672,271				
Intangible assets	2,705	3,052	2,881	Equity			
Deferred tax assets	182,179	156,397	118,508				
Long-term lease payment receivable	520,765	477,580	128,573	Capital stock	2,825,280	2,825,280	2,825,280
Other assets	257,506	257,506	268,252	Capital surplus	2,553	2,553	2,553
				Retained earnings	742,976	625,855	688,473
				Other equity	(39,674)	(57,297)	(79,545)
				Total equity	3,531,135	3,396,391	3,436,761
Total	$ 6,375,939	$ 5,785,280	$ 5,212,524	Total	$ 6,375,939	$ 5,785,280	$ 5,212,524

(Continued)

BNP Paribas Cardif TCB Life Insurance Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	March 31, 2018	December 31, 2017	March 31, 2017
Cash and cash equivalents	$ 2,636,232	$ 1,991,418	$ 3,833,587
Receivables	865,670	1,261,088	1,218,783
Current tax assets	34,231	34,231	173,870
Investments	46,661,113	47,081,185	45,601,831
Reinsurance assets	141,988	129,358	15,384
Equipment, net	86,106	85,412	71,293
Deferred tax assets	252,096	122,985	34,387
Other assets	1,036,755	1,048,128	972,070
Separate-account assets	93,864,917	95,247,471	88,140,173
Total	$ 145,579,108	$ 147,001,276	$ 140,061,378

Liabilities and Equity	March 31, 2018	December 31, 2017	March 31, 2017
Liabilities			
Payables	$ 400,621	$ 441,354	$ 414,451
Current tax liabilities	213,653	118,146	-
Financial liabilities at fair value through profit or loss	-	-	20,185
Insurance liabilities	30,906,349	30,914,740	31,257,581
Reserve for insurance contracts with financial instruments features	11,209,725	11,238,116	11,423,897
Reserve of foreign exchange variation	187,506	149,520	129,796
Deferred tax liabilities	-	19,093	7,112
Other liabilities	464,105	447,863	1,020,565
Separate-account liabilities	93,864,917	95,247,471	88,140,173
Total liabilities	137,246,876	138,576,303	132,413,760
Equity			
Capital stock	6,399,532	6,399,532	6,000,000
Capital surplus	9,310	9,310	9,310
Retained earnings	1,380,991	1,136,911	1,256,609
Other equity	542,399	879,220	381,699
Total equity	8,332,232	8,424,973	7,647,618
Total	$ 145,579,108	$ 147,001,276	$ 140,061,378

Taiwan Cooperative Securities Investment Trust Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	March 31, 2018	December 31, 2017	March 31, 2017
Current assets	$ 373,608	$ 379,965	$ 369,272
Financial assets carried at cost - noncurrent	-	2,274	3,000
Financial assets at fair value through profit or loss	2,384	-	-
Properties and equipment, net	2,067	1,374	503
Intangible assets	2,516	2,804	2,708
Other assets	26,263	26,263	26,263
Total	$ 406,838	$ 412,680	$ 401,746

Liabilities and Equity	March 31, 2018	December 31, 2017	March 31, 2017
Liabilities			
Current liabilities	$ 35,517	$ 32,631	$ 39,589
Noncurrent liabilities	2,797	2,576	4,247
Total liabilities	38,314	35,207	43,836
Equity			
Capital stock	303,000	303,000	303,000
Capital surplus	72,860	72,860	72,860
Retained earnings (accumulated deficit)	(7,445)	1,613	(17,950)
Other equity	109	-	-
Total equity	368,524	377,473	357,910
Total	$ 406,838	$ 412,680	$ 401,746

(Continued)

Taiwan Cooperative Venture Capital Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	March 31, 2018	December 31, 2017	March 31, 2017	Liabilities and Equity	March 31, 2018	December 31, 2017	March 31, 2017
Current assets	$ 962,191	$ 811,625	$ 834,276	Liabilities			
Financial assets carried at cost - noncurrent	-	158,660	178,500				
Properties and equipment, net	1,274	1,428	1,889	Current liabilities	$ 5,778	$ 4,727	$ 5,143
Intangible assets	53	67	74	Noncurrent liabilities	622	499	161
Other assets	28,689	243	243	Total liabilities	6,400	5,226	5,304
				Equity			
				Capital stock	1,000,000	1,000,000	1,000,000
				Retained earnings (accumulated deficit)	(3,239)	25,693	3,205
				Other equity	(10,954)	(58,896)	6,473
				Total equity	985,807	966,797	1,009,678
Total	$ 992,207	$ 972,023	$ 1,014,982	Total	$ 992,207	$ 972,023	$ 1,014,982

(Continued)

3. Subsidiaries' condensed statements of comprehensive income

Taiwan Cooperative Bank, Ltd.

Condensed Statements of Comprehensive Income
For the Three Months Ended March 31, 2018 and 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018	2017
Interest revenues	$ 13,237,705	$ 12,369,744
Less: Interest expenses	(4,956,416)	(4,496,535)
Net interest	8,281,289	7,873,209
Net revenues and gains other than interest	2,959,750	1,748,356
Total net revenues	11,241,039	9,621,565
Bad-debt expenses and provision for losses on commitment and guarantees	(1,624,510)	(778,024)
Operating expenses	(5,555,487)	(5,248,882)
Income before income tax	4,061,042	3,594,659
Income tax expense	(666,053)	(489,510)
Net income	3,394,989	3,105,149
Other comprehensive income	(997,818)	226,832
Total comprehensive income	$ 2,397,171	$ 3,331,981
Earnings per share (NT$)		
Basic	$0.39	$0.36

Taiwan Cooperative Bills Finance Co., Ltd.

Condensed Statements of Comprehensive Income
For the Three Months Ended March 31, 2018 and 2017
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2018	2017
Net interest	$ 55,172	$ 62,130
Net revenues and gains other than interest	103,125	21,734
Total net revenues	158,297	83,864
Reversal of allowance for credit losses and provision	34,739	52,759
Operating expenses	(34,652)	(32,700)
Income before income tax	158,384	103,923
Income tax expense	(7,593)	(477)
Net income	150,791	103,446
Other comprehensive income	(62,121)	1,630
Total comprehensive income	$ 88,670	$ 105,076
Earnings per share (NT$)		
Basic	$0.43	$0.29

(Continued)

Taiwan Cooperative Securities Co., Ltd.

Condensed Statements of Comprehensive Income
For the Three Months Ended March 31, 2018 and 2017
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2018	2017
Revenues	$ 222,930	$ 256,626
Service charge	(10,627)	(7,390)
Other operating costs	(51,652)	(23,629)
Employee benefits	(95,334)	(92,846)
Other operating expenses	(78,639)	(63,556)
Other gains and losses	(677)	(33,941)
Income (expenses) before income tax	(13,999)	35,264
Income tax expense	(2,814)	(4,914)
Net income	(16,813)	30,350
Other comprehensive income	(8,932)	26,671
Total comprehensive income	$ (25,745)	$ 57,021
Earnings per share (NT$)		
Basic	$(0.04)	$0.06

Co-operative Assets Management Co., Ltd.

Condensed Statements of Comprehensive Income
For the Three Months Ended March 31, 2018 and 2017
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2018	2017
Operating revenues	$ 165,305	$ 134,271
Operating expenses	(54,578)	(35,821)
Operating benefits	110,727	98,450
Non-operating gains and losses	4,306	3,817
Income before income tax	115,033	102,267
Income tax benefit (expenses)	2,088	(19,449)
Net income	117,121	82,818
Other comprehensive income (loss)	17,623	(33,736)
Total comprehensive income	$ 134,744	$ 49,082
Earnings per share (NT$)		
Basic	$0.41	$0.29

(Continued)

BNP Paribas Cardif TCB Life Insurance Co., Ltd.

Condensed Statements of Comprehensive Income
For the Three Months Ended March 31, 2018 and 2017
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2018	2017
Operating revenues	$ 5,491,406	$ 7,663,733
Operating costs	(5,018,050)	(7,332,219)
Operating expenses	(183,830)	(161,417)
Income before income tax	289,526	170,097
Income tax benefit (expenses)	(30,252)	66,074
Net income	259,274	236,171
Other comprehensive income (loss)	(523,825)	48,713
Total comprehensive income (loss)	$ (264,551)	$ 284,884
Earnings per share (NT$)		
Basic	$0.41	$0.37

Taiwan Cooperative Securities Investment Trust Co., Ltd.

Condensed Statements of Comprehensive Income
For the Three Months Ended March 31, 2018 and 2017
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2018	2017
Operating revenues	$ 39,892	$ 53,005
Operating expenses	(49,591)	(50,733)
Operating gain (loss)	(9,699)	2,272
Non-operating gains and losses	640	622
Gain (loss) before income tax	(9,059)	2,894
Income tax expenses	-	-
Net income (loss)	(9,059)	2,894
Other comprehensive income (loss)	(51)	-
Total comprehensive income (loss)	$ (9,110)	$ 2,894
Earnings (loss) per share (NT$)		
Basic	$(0.30)	$0.10

(Continued)

Taiwan Cooperative Venture Capital Co., Ltd.

Condensed Statements of Comprehensive Income
For the Three Months Ended March 31, 2018 and 2017
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2018	2017
Operating revenues	$ 17,741	$ 5,184
Operating expenses	(7,311)	(3,432)
Operating income	10,430	1,752
Non-operating gains and losses	369	474
Income before income tax	10,799	2,226
Income tax expenses	(123)	(74)
Net income	10,676	2,152
Other comprehensive income (loss)	5,318	(231)
Total comprehensive income	$ 15,994	$ 1,921
Earnings per share (NT$)		
Basic	$0.11	$0.02

(Concluded)

TABLE 4

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

BUSINESS SEGMENT FINANCIAL INFORMATION
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

Business Segment / Items	For the Three Months Ended March 31, 2018				
	Banking	**Bill Finance**	**Insurance**	**Others**	**Consolidated**
Net interest	$ 8,310,198	$ (26,230)	$ 261,326	$ 186,784	$ 8,732,078
Net revenues and gains other than interest	2,799,636	185,415	382,300	197,051	3,564,402
Total net revenues	11,109,834	159,185	643,626	383,835	12,296,480
Bad-debt expenses and provision for losses on commitment and guarantees	(1,620,640)	34,739	-	(9,543)	(1,595,444)
Net change in reserves for insurance liabilities	-	-	(76,213)	-	(76,213)
Operating expenses	(5,567,915)	(32,503)	(170,997)	(302,817)	(6,074,232)
Income before income tax	3,921,279	161,421	396,416	71,475	4,550,591
Income tax benefit (expenses)	(666,053)	(7,593)	(30,252)	(4,034)	(707,932)
Net income	3,255,226	153,828	366,164	67,441	3,842,659

Business Segment / Items	For the Three Months Ended March 31, 2017				
	Banking	**Bill Finance**	**Insurance**	**Others**	**Consolidated**
Net interest	$ 7,899,164	$ 12,432	$ 248,775	$ 161,298	$ 8,321,669
Net revenues and gains other than interest	1,701,945	74,631	603,714	221,136	2,601,426
Total net revenues	9,601,109	87,063	852,489	382,434	10,923,095
Bad-debt expenses and provision for losses on guarantees	(771,311)	52,759	-	4,768	(713,784)
Net change in reserves for insurance liabilities	-	-	(535,053)	-	(535,053)
Operating expenses	(5,255,647)	(30,555)	(148,899)	(292,918)	(5,728,019)
Income before income tax	3,574,151	109,267	168,537	94,284	3,946,239
Income tax benefit (expenses)	(489,510)	(477)	66,074	(26,965)	(450,878)
Net income	3,084,641	108,790	234,611	67,319	3,495,361

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Financier	Counterparty	Financial Statement Account	Related Parties	Maximum Balance for the Period	Ending Balance (Note 2)	Amount Actually Drawn	Interest Rate (%)	Financing Type	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral Item	Collateral Value	Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limit
1	Co-operative Assets Management Co., Ltd.	Tai-Hwei Trade Co, Ltd.	Receivables on lending funds	No	$ 200,000	$ 195,105	$ 195,105	3-8	Short-term financing	$ -	Operating use	$ 1,951	Real estate	$ 386,976	$ 339,639 (Note 3)	$ 1,358,556 (Note 3)
		Hanky & Partners (Taiwan) Ltd.	Receivables on lending funds	No	234,287	228,980	228,980	3-8	Short-term financing	-	Operating use	2,290	Real estate	293,728	339,639 (Note 3)	1,358,556 (Note 3)
		Sin-Dan Co., Ltd.	Receivables on lending funds	No	50,000	47,375	47,375	3-8	Short-term financing	-	Operating use	474	Land	101,380	339,639 (Note 3)	1,358,556 (Note 3)
		Sen-Yuan Construction Co., Ltd.	Receivables on lending funds	No	149,736	143,497	143,497	3-8	Short-term financing	-	Operating use	1,435	Real estate	307,620	339,639 (Note 3)	1,358,556 (Note 3)
		Sanlight Corporation	Receivables on lending funds	No	192,589	186,591	186,591	3-8	Short-term financing	-	Operating use	1,866	Stocks	200,000	339,639 (Note 3)	1,358,556 (Note 3)
		Flagship Square Enterprise Co., Ltd.	Receivables on lending funds	No	25,000	23,688	23,688	3-8	Short-term financing	-	Operating use	237	Land	101,380	339,639 (Note 3)	1,358,556 (Note 3)
		Xianghe Livestock Production Co., Ltd.	Receivables on lending funds	No	50,000	45,833	45,833	3-8	Short-term financing	-	Operating use	458	-	-	339,639 (Note 3)	1,358,556 (Note 3)
		Kuang Ming Shipping Corp.	Receivables on lending funds	No	150,000	150,000	-	3-8	Short-term financing	-	Operating use	-	Guarantee	30,000	339,639 (Note 3)	1,358,556 (Note 3)
2	Cooperative Financial International Lease Co., Ltd.	Shan Yuan Group (Tsingtao) Ltd.	Entrusted loan	No	104,373	104,373	104,373	10	Short-term financing	-	a. The Company is well-funded, and it is expected to grow in the future, and the repayment should be stable. It also provides real estate full guarantees and claims protection. b. The use of funds is required for the investment plans of the lenders for the construction of commercial properties, purchase of machinery and equipment, and ancillary equipment	1,566	Land and real estate	1,920,424	139,108 (Note 4)	370,954 (Note 4)
		Markor Investment Group (Tianjin) Co., Ltd.	Entrusted loan	No	16,578	14,368	14,368	10.61	Short-term financing	-	Expropriate full-value real estate to handle first-order mortgage guarantees, and loan is granted.	216	Real estate	51,547	139,108 (Note 4)	370,954 (Note 4)
		Shanghai Weishi Mechanical Co., Ltd.	Entrusted loan	No	39,491	32,522	32,522	8	Business relationship	304,240	a. It's high quality equipment supplier for cooperation. b. Expropriate real estate to handle mortgage guarantees, and loan is granted.	488	Real estate	48,365	139,108 (Note 4)	370,954 (Note 4)

Note 1: The parent company and investee companies are numbered as follows:

a. Parent company is denoted as 0.
b. Investee companies are numbered sequentially from 1.

Note 2: Each lending of funds is resolved by the board of directors. The Company should disclose the monetary limit resolved by the board of directors even if the funds are not yet disbursed. When the funds are repaid, the Company should disclose the lending balance of funds after the repayments.

Note 3: Each financing limit for the borrowing company and the total financing amount limit of Co-operative Assets Management Co., Ltd. (CAM) are 10% and 40% of CAM's equity of the latest financial report, respectively. The equity of CAM on December 31, 2017 was $3,396,391 thousand.

Note 4: Each financing limit for the borrowing company and the total financing amount limit of Cooperative Financial International Lease Co., Ltd. are 15% and 40% of its equity of the latest financial report, respectively. The equity of Cooperative Financial International Lease Co., Ltd. on December 31, 2017 was $927,386 thousand.

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
MARCH 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	March 31, 2018				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Beneficial certificate							
Taiwan Cooperative Venture Capital Co., Ltd.	TCB Taiwan Money Market Bond Fund	Fund managed by sister company	Financial assets at fair value through profit or loss	903	$ 9,129	-	$ 9,129	
	Stock							
Co-operative Assets Management Co., Ltd.	Cooperative Financial International Lease Co., Ltd.	Subsidiary	Investments accounted for using equity method	-	937,015	100.00	937,015	Note
Taiwan Cooperative Securities Investment Trust Co., Ltd.	Fund Rich Securities Co., Ltd.	-	Financial assets at fair value through other comprehensive income	227	2,384	0.36	2,384	
Taiwan Cooperative Venture Capital Co., Ltd.	Pou Chen Corporation	-	Financial assets at fair value through profit or loss	672	26,477	0.02	26,477	
	Pegatron Corporation	-	Financial assets at fair value through profit or loss	266	19,418	0.01	19,418	
	Evergreen Marine Corporation	-	Financial assets at fair value through profit or loss	400	6,060	0.01	6,060	
	AIDC/Aerospace Industrial Development Corp.	-	Financial assets at fair value through profit or loss	405	13,831	0.04	13,831	
	Cathay Financial Holdings Co., Ltd.	-	Financial assets at fair value through profit or loss	90	4,725	-	4,725	
	Hua Nan Financial Holdings Co., Ltd.	-	Financial assets at fair value through profit or loss	1,597	28,108	0.01	28,108	
	Lien Hwa Industrial Corporation	-	Financial assets at fair value through profit or loss	560	21,951	0.06	21,951	
	Tanvex BioPharma, Inc.	-	Financial assets at fair value through profit or loss	300	30,900	0.14	30,900	
	SuperAlloy International Co., Ltd.	-	Financial assets at fair value through profit or loss	184	12,380	0.09	12,380	
	RiTdisplay Corporation	-	Financial assets at fair value through profit or loss	174	21,838	0.41	21,838	
	Nan Pao Resins Chemical Co., Ltd.	-	Financial assets at fair value through profit or loss	306	41,371	0.28	41,371	
	SR Suntour Inc.	-	Financial assets at fair value through profit or loss	1,800	58,176	2.98	58,176	

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	March 31, 2018				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	eLand Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss	500	$ 27,500	3.49	$ 27,500	
	M2Communication Inc.	-	Financial assets at fair value through profit or loss	500	8,000	1.14	8,000	
	Prince Pharmaceutical Co., Ltd.	-	Financial assets at fair value through profit or loss	800	20,000	2.75	20,000	
	Drewloong Precision, Inc.	-	Financial assets at fair value through profit or loss	462	55,385	1.54	55,385	
	First Financial Holding Co., Ltd	-	Financial assets at fair value through other comprehensive income	1,068	21,686	-	21,686	
	Mega Financial Holding Co., Ltd.	-	Financial assets at fair value through other comprehensive income	1,300	32,760	0.01	32,760	
	Taiwan Mobile Corp.	-	Financial assets at fair value through other comprehensive income	239	26,290	0.01	26,290	
	China Motor Corporation	-	Financial assets at fair value through other comprehensive income	875	24,063	0.06	24,063	
	Excelsior Medical Co., Ltd.	-	Financial assets at fair value through other comprehensive income	144	7,013	0.11	7,013	
	Taiwan Shin Kong Security Co., Ltd.	-	Financial assets at fair value through other comprehensive income	175	6,790	0.05	6,790	
	Chunghwa Telecom Co., Ltd.	-	Financial assets at fair value through other comprehensive income	240	27,120	-	27,120	
	MiTAC Holdings Corporation	-	Financial assets at fair value through other comprehensive income	650	22,229	0.08	22,229	
	Twoway Communications, Inc.	-	Financial assets at fair value through other comprehensive income	2,000	26,180	2.45	26,180	

Note: When Taiwan Cooperative Financial Holding Co., Ltd. prepared the consolidated financial statements, the related account and security transaction were eliminated.

TABLE 7

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

SALE OF NONPERFORMING LOANS
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In Thousands of New Taiwan Dollars)

1. Sale of nonperforming loans

   Co-operative Assets Management Co., Ltd.

Trade Date	Counterparty	Form of Nonperforming Loan	Book Value (Note)	Selling Price	Gain (Loss)	Terms	Relationship Between the Counterparty and the Company
2018.3.20	Su Sir	Claims and its subordinate mortgage	$ 1,278	$ 2,500	$ 1,222	None	None

Note: Book value equals the amount of original loan minus allowance for possible losses.

2. The sale of a batch of nonperforming loans totaling over NT$1 billion (excluding those sold to related parties): None.

TABLE 8

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL
MARCH 31, 2018
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance (Note)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Financial Holding Company, Ltd.	Parent company	$ 1,071,039	-	$ -	-	$ -	$ -
Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	Subsidiary	1,356,941	-	-	-	-	-

Note: The receivables related to consolidated tax return. When preparing the consolidated financial statements, the receivables have been eliminated.

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Taiwan Cooperative Bank, Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2018	Investee Net Income	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of March 31, 2018	Accumulated Inward Remittance of Earnings as of March 31, 2018
					Outflow	Inflow						
Taiwan Cooperative Bank Suzhou Branch	Deposits, loans, import and export, exchange and foreign exchange business	$ 4,547,235 (US$ 154,395) (Note 1)	Direct	$ 4,547,235 (US$ 154,395) (Note 1)	$ -	$ -	$ 4,547,235 (US$ 154,395) (Note 1)	$ 56,344	100	$ 56,344	$ 5,437,661	$ -
Taiwan Cooperative Bank Tianjin Branch	Deposits, loans, import and export, exchange and foreign exchange business	2,947,314 (US$ 97,387) (Note 1)	Direct	2,947,314 (US$ 97,387) (Note 1)	-	-	2,947,314 (US$ 97,387) (Note 1)	16,107	100	16,107	3,067,229	-
Taiwan Cooperative Bank Fuzhou Branch	Deposits, loans, import and export, exchange and foreign exchange business	2,950,882 (US$ 97,549) (Note 1)	Direct	2,950,882 (US$ 97,549) (Note 1)	-	-	2,950,882 (US$ 97,549) (Note 1)	31,282	100	31,282	3,023,666	-
Taiwan Cooperative Bank Changsha Branch	Deposits, loans, import and export, exchange and foreign exchange business	2,630,485 (US$ 87,232) (Note 1)	Direct	2,630,485 (US$ 87,232) (Note 1)	-	-	2,630,485 (US$ 87,232) (Note 1)	8,664	100	8,664	2,572,346	-

Accumulated Investment in Mainland China as of March 31, 2018	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable (Note 2)
$ 13,075,916 (US$ 436,563) (Note 1)	$ 13,075,916 (US$ 436,563) (Note 1)	$123,132,539

Co-operative Assets Management Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2018	Investee Net Income	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of March 31, 2018	Accumulated Inward Remittance of Earnings as of March 31, 2018
					Outflow	Inflow						
Taiwan Cooperative International Leasing Co., Ltd.	Financial leasing	$ 910,980 (RMB 185,460) (Note 1)	Direct	$ 910,980 (RMB 185,460 (Note 1)	$ -	$ -	$ 910,980 (RMB 185,460) (Note 1)	$ 9,552	100	$ 9,552	$ $937,015	$ -

Accumulated Investment in Mainland China as of March 31, 2018	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable (Note 3)
$ 910,980 (RMB 185,460) (Note 1)	$ 910,980 (RMB 185,460) (Note 1)	$ 2,118,681

(Continued)

Note 1: The currency was translated into New Taiwan dollars at the exchange rates on the date of each outflow of investment.

Note 2: Based on the Investment Commission's "Regulation on the Examination of Investment or Technical Cooperation in Mainland China," investments are limited to the higher of 60 % of TCB's net asset value or 60% of TCB's consolidated net asset value.

Note 3: Based on the Investment Commission's "Regulation on the Examination of Investment or Technical Cooperation in Mainland China," investments are limited to the higher of 60 % of CAM's net asset value or 60% of CAM's consolidated net asset value.

(Concluded)

TABLE 10

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS AMONG THE PARENT COMPANY AND SUBSIDIARIES
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Transacting Company	Counter-party	Transaction Flow (Note 2)	Description of Transactions (Notes 3 and 5)			
				Financial Statement Account	Amounts	Trading Terms	Transaction Amount/Total Consolidated Net Revenue or Total Consolidated Assets (%)
0	Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	a	Tax receivables - consolidated tax return	$ 1,356,941	Note 4	0.04
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Financial Holding Co., Ltd.	b	Tax payables - consolidated tax return	1,356,941	Note 4	0.04
0	Taiwan Cooperative Financial Holding Co., Ltd.	Co-operative Assets Management Co., Ltd.	a	Tax receivables - consolidated tax return	133,412	Note 4	-
2	Co-operative Assets Management Co., Ltd.	Taiwan Cooperative Financial Holding Co., Ltd.	b	Tax payables - consolidated tax return	133,412	Note 4	-
0	Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	a	Tax payables - consolidated tax return	1,071,039	Note 4	0.03
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Financial Holding Co., Ltd.	b	Tax receivables - consolidated tax return	1,071,039	Note 4	0.03
1	Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	a	Due from banks	598,503	Note 4	0.02
3	United Taiwan Bank S.A.	Taiwan Cooperative Bank, Ltd.	b	Due to banks	598,503	Note 4	0.02
1	Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	a	Call loans to banks	6,943,376	Note 4	0.20
3	United Taiwan Bank S.A.	Taiwan Cooperative Bank, Ltd.	b	Call loans from banks	6,943,376	Note 4	0.20
1	Taiwan Cooperative Bank, Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Deposits and remittances	1,103,498	Note 4	0.03
4	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Cash and cash equivalents, refundable deposits	1,103,498	Note 4	0.03
1	Taiwan Cooperative Bank, Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Service fee and commission income	163,565	Note 4	1.33
4	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Service charge and commission expense	163,565	Note 4	1.33
4	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bills Finance Co., Ltd.	c	Securities purchased under resell agreements	395,640	Note 4	0.01

(Continued)

No. (Note 1)	Transacting Company	Counter-party	Transaction Flow (Note 2)	Description of Transactions (Notes 3 and 5)			
				Financial Statement Account	Amounts	Trading Terms	Transaction Amount/Total Consolidated Net Revenue or Total Consolidated Assets (%)
5	Taiwan Cooperative Bills Finance Co., Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Securities sold under repurchased agreements	$ 395,640	Note 4	0.01
1	Taiwan Cooperative Bank, Ltd.	Co-operative Assets Management Co., Ltd.	c	Properties and equipment, net and deferred revenue	383,282	Note 4	0.01
1	Taiwan Cooperative Bank, Ltd.	Co-operative Assets Management Co., Ltd.	c	Gains on disposal of properties and equipment, accumulated earnings	580,423	Note 4	4.72
2	Co-operative Assets Management Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Investment properties, net	963,705	Note 4	0.03
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Securities Co., Ltd.	c	Call loans to securities firms	291,000	Note 4	0.01
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Call loans from banks	291,000	Note 4	0.01

Note 1: The parent company and subsidiaries are numbered as follows:

a. Parent company is dented as 0.
b. Subsidiaries are numbered sequentially from 1.

Note 2: Transaction flows are as follows:

a. From parent company to subsidiary
b. From subsidiary to parent company
c. Between subsidiaries

Note 3: For calculating the percentages, the asset or liability account is divided by the consolidated total assets, and the revenue or expense account is divided by the total consolidated net revenue of the same period.

Note 4: The terms for the transactions between the transacting company and related parties are similar to those for unrelated parties.

Note 5: Referring to transactions exceeding NT$100 million.

(Concluded)